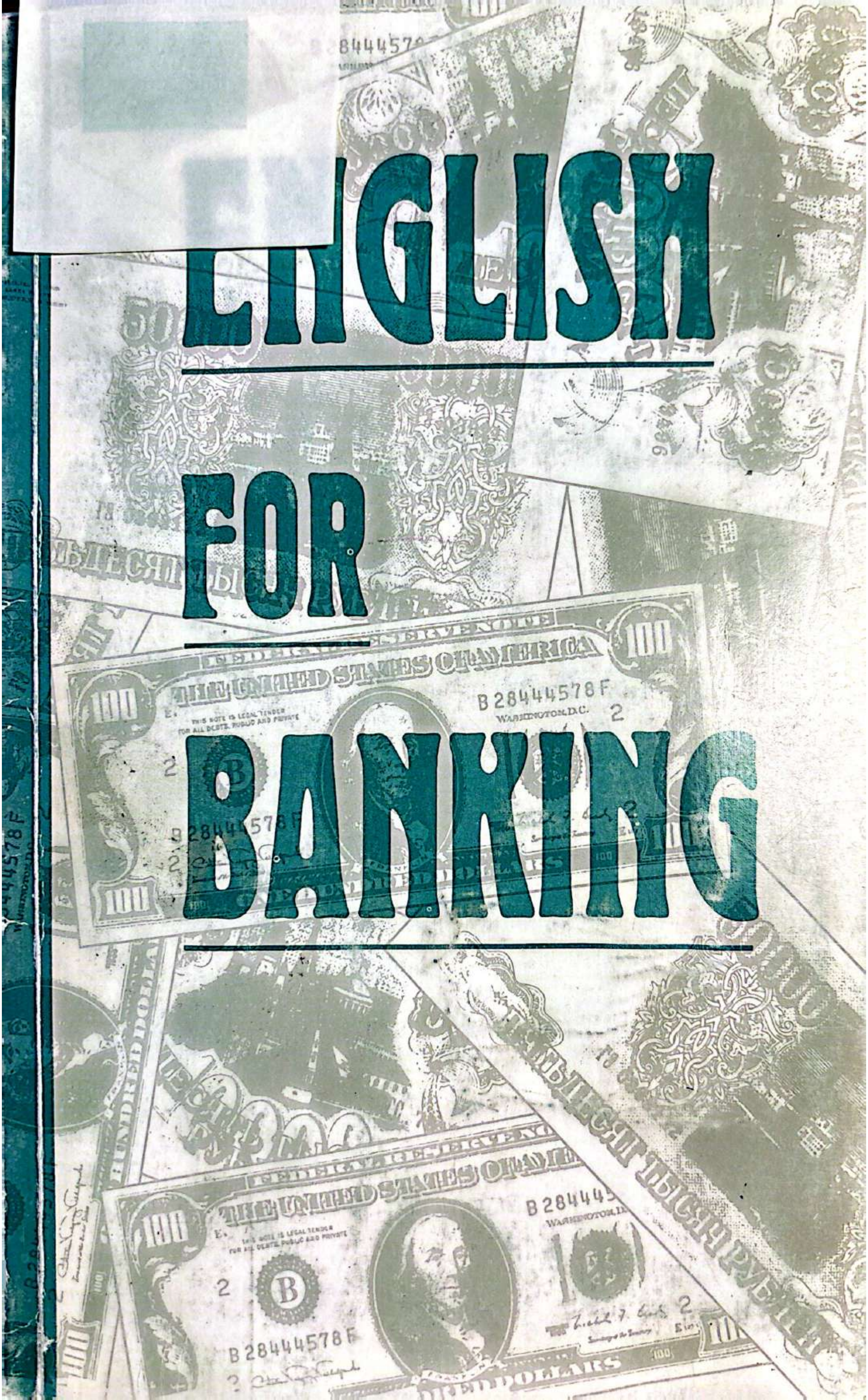
ENGLISH FOR BANKING



ENGLISH FOR BANKING

Пособие по английскому языку
для изучающих
банковское и финансовое дело

МОСКВА, МЕНЕДЖЕР, 1995

4и (Англ.)
С17

ББК 81.2
С27

English for Banking. Пособие. Составитель Н. А. Самуэльян.
С 27 — М.: «Менеджер», 1995. — 208 с.

Предлагаемое пособие знакомит читателя со специальной английской банковской лексикой и терминалогией и расширяет знания в области банковского дела и финансовых отношений.

Пособие предназначено для работников банков, студентов финансовых вузов и курсов, бухгалтеров, а также широкого круга лиц, интересующихся данной тематикой.

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ISBN 5-87457-025-X

Part One

Unit One
The Structure and Functions of a Bank

Active Vocabulary

account	— счет
accountant	— бухгалтер
board of directors	— совет директоров
capital	— капитал
clerk	— служащий
current account	— текущий счет
deposit account	— депозитный счет
depositor	— вкладчик
dividend	— дивиденд
draw upon an account (v)	— снимать со счета
invest (v)	— инвестировать
interest	— процент, процентный доход
joint stock	— акционерный капитал
loan	— ссуда, заем, кредит
profit	— прибыль
reserve	— резерв, запас
run the bank (v)	— управлять банком
shares	— акции
shareholder	— акционер
statement	— выписка из банковского счета
standing order	— постоянное поручение клиента банку

Dialogue

Read the dialogue in parts.

Student: Who really owns the bank?

Banker: The stockholders own it. In the beginning, they put up the necessary capital and were granted a charter from the government.

S.: Are the members of the board of directors stockholders?

B.: Oh, yes. They're chosen by the other stockholders to operate the bank.

S.: And the board hires the president and the vice-presidents to manage it?

B.: That's right. Along with the cashier, the tellers and the clerical workers.

S.: I guess most of your work has to do with checking and savings accounts and making loans.

B.: Yes. But we invest money too. Planning the bank's investments is also very important.

S.: Do you divide all the profits among the stockholders?

B.: Not all of them. The stockholders receive regular dividends. But some of our earnings are held in reserve accounts.

S.: I suppose that would be necessary.

B.: Here's a copy of our last published statement. You see, the reserves are shown here as surplus and undivided profits.

Questions on the dialogue:

1. Who owns the bank?
2. How does a bank start?
3. Who chooses the board?
4. What's the board's task?
5. Who hires the employees?
6. What are the bank's main activities?
7. How are the profits distributed?
8. How are the stockholders kept informed?

Text I

As you read the passage, find the answers to the questions given below.

The English commercial banks have branches in all the major towns and a similar structure and mode of working is common to them all. The owners are the shareholders. At the outset they provide the necessary capital. They are all organised on the joint stock principle and are registered public companies.

The Chairman and Board of Directors are elected by the ordinary shareholders at the Annual General Meeting and are responsible for the efficient management of the bank. The Board is concerned with the over-all policy of the bank and the major decisions which put that policy into effect.

The Board will appoint a Managing Director who is directly responsible to them and a member of the Board. They will also appoint the most senior executives who in turn appoint the rest of the clerical staff who will be responsible in different capacities for the day to day running of the bank.

The essence of a bank's activities is the collection of deposits through current accounts and deposit accounts and the use of these funds to provide loans or funds for investment. The current account is the one commonly held and is drawn upon by cheques and standing orders. The deposit account is more in the nature of a savings account. The pattern of investments which a bank decides upon is crucial because, on the one hand, the bank must use the funds wisely to make a profit and, on the other, funds must be available for depositors to withdraw when they wish to do so.

At the end of each business year the Directors recommend and the Annual General Meeting decides how much of the profit should be distributed to the shareholders as dividend, and how much should be retained in the business. In preparation for the Annual General Meeting, a bank publishes its Report and Accounts. These must be sent to every shareholder and are also available for anyone with an interest in the affairs of the bank. From the published accounts shareholders can easily determine the total profits the bank has earned and how much is available for distribution.

Questions on the text:

1. Who owns the English commercial bank?
2. How does a bank start?
3. Who chooses the Board?
4. What is the Board's task?
5. Who hires the employees?
6. What are the bank's main activities?
7. How are the profits distributed?
8. How are the shareholders kept informed?

Vocabulary Exercises

I

Comparison of American and British terms. Dialogue deals with the structure and functions of an American bank, while the text describes an English commercial bank. There are some differences in American and British terminology. *Find American terms corresponding to the British ones given below.*

British terms	American terms
accountant	
cheque	
current account	
deposit account	
managing director	
report and accounts	
retained and undistributed profits	
to run a bank	
shareholder	

II

Find proper definitions

Terms	Definitions
1. Capital	a) a sum of money paid to a shareholder out of profits in relation to his investment
2. Dividend	b) an account in a bank from which money can be drawn by cheque
3. Deposit account	c) profits not paid out as dividends and added to the surplus
4. Retained profits	d) the money value of the shareholders stake in the bank or company
5. Current account	e) an account in a bank on which the depositor receives interest

III

Choose the right answer:

1. The people who decide the general policy of the bank are:
   a) shareholders,
   b) the board of directors,
   c) the executive staff.
2. The bank's financial position can be discovered from:
   a) a report,
   b) an announcement,
   c) a statement.
3. Bank profits kept back for later use are:
   a) withdrawals,
   b) surplus,
   c) retained profits.
4. Earnings remaining after all the expenses of a business activity have been paid are:
   a) dividend,
   b) capital,
   c) profit.

5. Money which one person allows another to use for a specified time and which will then be returned is:
   a) investment,
   b) loan,
   c) interest.

IV

Using the information in the passage, say what is true and what is false. Correct the false sentences

1. Members of the Board of Directors are shareholders.
2. All the shareholders participate in running the bank.
3. All the bank's profits are divided among the shareholders.
4. All the retained profits of the bank belong to the shareholders.
5. The reserves are shown in the statement as retained.

V

Using suffixes **-er, -or, -ier, -ent, -ial,** *etc., give nouns which are related to the following:*

bank	invest
cash	manage
direct	office
deposit	own
execute	work
hold	

VI

Find synonyms for the following. Use a dictionary whenever necessary:

to own	to appoint
to run	to distribute
to collect	to receive

VII

Find the nouns that are qualified in the passage by these adjectives and make up sentences of you own:

clerical	over-all
necessary	day to day
published	total

VIII

Explain the following:

1. to raise capital
2. to become a public company
3. to put money into business
4. an account in a bank from which money can be drawn by cheque
5. profits not paid out as dividends

IX

Fill in the blanks with proper words or phrases:

1. The board appoints the ..... and the .....
2. An employee in a bank who pays out and receives money is called a ...
3. The Board of Directors is elected by the ......
4. The Board may distribute ..... to the shareholders out of the profits once or twice a year.
5. The ..... may be high even after all the bank's expenses are paid.
6. A bank will need to seek approval for a large ..... to a customer.
7. The Board will discuss the bank's ..... in other businesses.

X

Make sentences of your own:

1. to put up the necessary capital
2. to be registered as a public company
3. to run a bank
4. the board of directors
5. shareholders
6. current account
7. deposit account
8. to make a loan

Text II

Read the passage and find answers to the following questions:

1. Why did the banking industry grow quickly over the period of last 10 years?
2. What did the Nat West do to meet the increasing demand for its services?
3. According to what are the bank's clerical jobs graded?
4. Where does everyone start a job in the bank?
5. Work in which grade ensures more personal contact with the customer?
6. Which clerk sees to the customers' regular payments being made on time?
7. Which is the best known job in banking?
8. Which clerk deals with customers' travel requirements?
9. Which clerk helps customers to manage their financial affairs?
10. Which clerk safeguards the bank's interests in lending money?
11. Which job in the bank offers the best opportunities to exercise one's own judgement?

Job-Career-Profession

The banking industry has changed radically over the last 10 years. As part of that industry National Westminster Bank has grown quickly and is still growing. We have more customers than ever before, people who have realised that having a bank account is a greater help in organising their financial affairs. Nat West has built a range of financial

services so diverse that we can now offer to our customers assistance across the whole range of money matters — from simple things like cashing cheques and looking after savings to the complexities of insurance, taxation and investment.

It takes a lot of people to run one of the biggest and most efficient financial organisations in the world. Our clerical jobs are graded from 1 to 4 according to the demands and responsibilities of each particular position.

Grade 1. This is the most junior of the clerical jobs. Because we believe in a system of progressive promotion, everyone starts here, no matter what they see as their ultimate role. You will probably begin by preparing customers' statements, sorting cheques and learning to use accounting machines.

Grade 2. Work in this grade gives you more personal contact with the customers. This is particularly so when looking after the enquiry counter, helping the customers to solve any problems they may have with their accounts, answering their questions, outlining the bank's services.

Other grade 2 jobs which you could find yourself doing include controlling your Branch's records. Duties cover opening new accounts, transferring existing accounts to and from our many Branches throughout the country and ensuring that information relating to your customers is kept up to date.

Then there is the Standing Order Clerk. Many of our customers arrange for regular payments to be made from their accounts for such items as mortgage deductions, insurance premiums and subscriptions. It is the Standing Order Clerk who ensures that these payments are made correctly and on time.

Perhaps the best known of all the jobs in banking is that of the cashier and that is usually a grade 2 job. At the counter you will meet many different people, your own customers, customers from other branches and banks as well as people who do not have a bank account. You will be dealing with many thousands of pounds every day so accuracy is vital.

Grade 3. By the time you reach this stage the work is becoming more complex and each job carries a greater degree of responsibility. Being a foreign clerk, for instance, means that you will be dealing with customers' travel requirements, supplying foreign currencies and travel cheques and assisting with passport applications and travel insurance.

The Safe Custody Clerk helps customers to manage their financial affairs, acting on their behalf to buy or sell stocks and shares, obtaining advice from stockbrokers, or arranging insurance cover. Also there are valuables and documents, which customers deposit at the branch for safe keeping, to be looked after — which explains the title of the job.

Grade 4. This is the senior of the clerical grades and contains among others the jobs which really involve you for the first time in one of the bank's major activities — lending money. Whether the loan is to a private individual, to a small business or to a large industrial company the bank will often require some form of security to be provided by the borrowers as to reduce the risk to the bank. Such security can come in many different forms including mortgages over houses or life policies and there are several legal formalities to be completed before the bank's interests are fully safeguarded. Dealing with these formalities is the job of the Security Clerk who naturally works closely with the Branch Manager.

Even more involved with the Manager is the Manager's Clerk who acts as a Personal Assisiant providing all the information needed for the day to day control of accounts. As Manager's Clerk you will be given opportunity to exercise your own judgement in a number of matters.

Adapted from National Westminster Bank's booklet.

Unit Two
Currency and Other Forms of Exchange

Active Vocabulary

accept a bill (v) — акцептовать вексель
bank draft — банковская тратта
bank money order — банковский денежный перевод
bank note, note, bill (US) – банкнота
bearer — предъявитель, держатель
bill of exchange — переводной вексель
cash (v) — получать наличные, обналичивать
cashier's check (US) — кассирский чек
certificate — сертификат, свидетельство
certified check — удостоверенный чек
certify (v) — заверять, удостоверять
cheque, check (US) — чек
traveller's cheque — дорожный чек
coin — монета
creditor — кредитор
credit standing — кредитоспособность
currency — денежное обращение, деньги, валюта
denomination — достоинство, ценность; деноминация
discount a bill (v) — дисконтировать вексель
endorse/indorse (v) — индосировать, делать передаточную надпись
forms of exchange — формы обмена
honour a bill (v) — акцептовать вексель
identification — идентификация ценных бумаг
in lieu of — вместо

issue (v) — выпускать в обращение
legal tender — законное платежное средство
mature (v) — наступать (о сроке платежа)
negotiable — отчуждаемый, передаваемый
payee — ремитент, получатель платежа по кредитным обязательствам
payer — плательщик по кредитным обязательствам
sight draft — вексель на предъявителя

Dialogue

Read the dialogue.

Student: The bank must use just about every form of exchange in a day's work.
Cashier: Just about. Of course, we constantly handle coins and bills of every denomination.
S.: They're what you call legal tender.
C.: Yes. Or currency. A nation's currency is its legal tender.
S.: But a check isn't legal tender.
C.: No. However checks are a very common form of exchange, and they are generally accepted in lieu of currency.
S.: Are traveler's checks currency?
C.: Not in a strict sense. But they're immediately negotiable everywhere. For instance, even merchants will cash them under most circumstances.
S.: The bearer need only present proper identification.
C.: That's right.
S.: Well, what's a bank note? Is that currency?
C.: Definitely. Bank notes are issued by the banks of the Federal Reserve System, and they're legal tender just as silver certificates are.

S.: That's what I thought. But getting back to checks, why are bank drafts sometimes preferred over checks?

C.: Well, in the case of a check, the party who signs it is the only one who guarantees payment. But a bank draft is issued and guaranteed by a bank.

S.: Is that true of cashier's checks, too?

C.: Yes. And also of certified checks and bank money orders.

S.: What about sight drafts?

C.: Now, sight drafts are different. They're a form of request for payment through a bank.

Questions on the dialogue:

1. What forms of exchange are called legal tender?
2. Why are checks a common form of exchange?
3. How are traveller's checks useful?
4. Which banks in the USA may issue bank notes?
5. What is the difference between a check and a bank draft?
6. What do cashier's checks, certified checks and bank drafts have in common?
7. How do sight drafts differ?

Text

The work of bank centres around money and financial services. Virtually any activity involving money or advice about financial matters is undertaken by all the commercial banks. The immediate service offered by the bank is the receipt for deposit of coins, notes and cheques and the cashing of cheques, through current accounts. Coins and notes in circulation have the status of «legal tender» that is to say they must be taken in payment of a debt although the extent to which this applies in the case of coins is deliberately restricted for the sake of convenience.

The most common means of payment, particularly for significant sums of money, is the cheque since it is both safer and more convenient than using cash. However, it is not legal tender and creditors can refuse to accept it if they wish. Normally both national cheques and traveller's cheques are readily negotiable if the bearer has some means of proving his identity and the creditor can be sure that the cheque will be «honoured». To assist the use of cheques banks now provide their customers with bankers cards which, when used in association with a cheque, will guarantee it up to a stated maximum. If a customer wishes to make payments of large amounts of money by cheque and is not known to the creditor, then he may obtain a «certified cheque» from his bank. Such a cheque is signed by the bank and therefore payment is guaranteed.

Those trading overseas, or in conditions where there may be a significant time lapse between sending out goods and their receipt by the customer, may use a Bill of Exchange as a means of payment. This is really a post dated cheque which assures the creditor payment but also gives the buyer opportunity to inspect the goods before the transaction is completed. Those whose credit standing is unknown may have to get the Bill «accepted» before a creditor will take it. Such a process guarantees payment and most work of this kind is undertaken by the merchant banks. Because Bills are post dated creditors may have to wait some time for their money. They can overcome this problem by endorsing the Bill and then either discounting it with a Discount House or a bank or passing it on to another trader in settlement of a debt of their own. By the time it comes to maturity a Bill may have passed through several hands and on each occasion it must be endorsed. The commercial banks participate in this activity in two ways: in part by lending money to the discount houses and in part by discounting bills for their own customers.

Questions on the text:

1. What forms of money are called legal tender?
2. Why are cheques a common form of exchange?

3. What is the main purpose of a banker's card?
4. What is the special feature of a certified cheque?
5. What is the main use of a Bill of Exchange?
6. Why does a Bill sometimes have to be «accepted»?
7. In which two ways might a creditor who needed the money dispose of a Bill?

Vocabulary Exercises

I

List all the forms of money mentioned in the passage and match them with the following definitions:

1. A bank's unqualified guarantee to pay a specified sum to a specified individual or organization.
2. A negotiable instrument issued only by the Bank of England and signed by the Chief Cashier of the Bank.
3. A written order to a bank to pay a stated amount of money.
4. A negotiable instrument issued by a bank in exchange for cash and readily usable in most parts of the world.
5. Token money largely used for small purchases and transactions.
6. A written order to a bank to pay a stated amount of money to a stated person or, after endorsement, to the bearer on or within a stated time after a given date.

II

Choose the right answer:

1. «We constantly handle coins and bills» means:
   a) cash them under most circumstances,
   b) deal with them,
   c) receive them.
2. «bills of every denomination» denote:

   a) bank notes of different values,
   b) bank notes of various sizes,
   c) other means of exchange.
3. «Legal tender» is:
   a) a type of paper currency,
   b) a requirement to accept in settlement of a debt,
   c) money guaranteed by a government.
4. «both cheques and traveller's cheques are readily accepted» means:
   a) able to be given to another party,
   b) certified by the bank that funds are available,
   c) endorsed by an officer of the bank.
5. «the cheque will be honoured» means:
   a) that it will be readily accepted by creditors,
   b) that it will be treated with respect,
   c) that the bank will be ready to cash it.
6. «a bearer» is:
   a) a person who is named as payee on the exchange document,
   b) an officer of the bank who endorses the cheque,
   c) the person offering the exchange document and demanding payment.

III

Say what is true and what is false. Correct the false sentences:

1. Coins and bills of every denomination are called legal tender.
2. Cheques are rarely accepted in lieu of currency.
3. To cash a traveller's cheque the bearer need only present proper identification.
4. Bills of Exchange are not legal tender.
5. A cheque is always guaranteed by a bank.
6. Certified cheques are always guaranteed by a bank.

IV

Using suffixes **-cation, -cate, -ment, -ion, -ance, -ature,** *etc., give nouns which are related to the following verbs:*

accept	prefer
certify	present
circulate	regulate
denominate	settle
endorse	signify
invest	sign
identify	state
pay	transact

V

Using prefixes **dis-, il-, in-, ir-, un-, non-,** *etc., give negatives which are related to the following:*

accepted	maturity
common	negotiable
certified	necessary
honoured	regular
legal	significant

VI

Combine the words listed below into meaningful two or three word expressions as possible:

account	honoured	proper
bank	investment	profit
bill	identification	regular
circulation	legal	reserve
cashier	money	shareholders
deposit	maturity	surplus
discount	nation	transaction
endorsing	note	traveller
earnings	participation	work
fellow	payment	undistributed

VII

For each of the following phrases find another one in the text that explains it:

1. Money issued by the central bank of a country.
2. A piece of currency made of metal.
3. Unit of the bank note's value.
4. A document in settlement of a large debt guaranteed by the bank.
5. A document which establishes the identity of a person settling by cheque.
6. Cashing in a Bill of Exchange before it is due for payment.
7. The bank's readiness to accept a cheque for payment.

VIII

Fill in the blanks with proper words or phrases:

bank notes	honoured
bearer	identification
coins	issued
currency	traveller's cheques

1. While travelling I do not like to carry large amounts of ......
2. I prefer to have ..... which are immediately negotiable.
3. Traveller's cheques are ..... in different denominations.
4. To cash the traveller's cheque the ..... should present proper identification.
5. However, there are merchants who will not accept traveller's cheques even though you present proper ......
6. I collect ..... of every denomination,

IX

Write sentences of your own:

1. to sign a cheque
2. to accept a cheque
3. to cash a cheque
4. to make payment by cheque
5. to certify a cheque
6. to endorse a cheque
7. to make out a cheque
8. to accept liability for
9. to present your identification document
10. to settle business accounts

Unit Three
Depositing Money with a Bank

Active Vocabulary

active account	— активный депозитный счет
accrue (v)	— накапливаться
balance (v)	— сальдировать, подводить итог, закрывать счета
cancel a cheque (v)	— аннулировать чек
compound interest	— сложные проценты
credit (v)	— кредитовать
debit (v)	— дебетовать
deposit	— вклад, депозит, задаток
fund	— запас, резерв, фонд
genuine	— подлинный, неподдельный
insurance	— страхование
insure against (v)	— страховать(ся)
interest on bank credits	— процент по банковскому кредиту
joint account	— совместный счет
ledger	— бухгалтерская книга
liquid	— ликвидный
maturity	— срок платежа
notice	— извещение, уведомление
outstanding	— 1) выпущенный в обращение 2) не предъявленный к платежу, задолженный
overdraft	— овердрафт, превышение кредитного лимита
overdraw (v)	— допускать овердрафт, превышать кредитный лимит

passbook	— банковская расчетная книжка, депозитная книжка, сберегательная книжка
per annum	— ежегодно
principal	— 1) номинал векселя 2) капитал 3) основной должник
posting	— проводка
rate of interest	— процентная ставка
reconcile (v)	— выверять счет
commission service charge (US)	〉 комиссионный счет
term	— срок выполнения обязательств
time certificate	— срочный сертификат
transferable	— переводной

Dialogue

Read the dialogue.

Cashier: Now this is the checking account ledger. Each page is a record of a customer's deposits and withdrawals.

Student: And you give a copy of this to the customer.

C.: That's right. That's his statement, which he receives with all his cancelled checks. Then he reconciles it with his own records.

S.: This one is a joint account, isn't it? And pretty active.

C.: Yes, it is.

S.: What's this debit?

C.: That's our service charge.

S.: I notice an overdraft here in April.

C.: I'm afraid we've had to remind this customer and his wife several times that they must keep a sufficient balance to cover all outstanding checks.

S.: Will I have to learn to recognize all our customers signatures

C.: Yes, you will. Any check we cash must have a genuine signature. But we keep a file of them that you can refer to.

S..: Will I be doing any posting of this ledger?

C.: No, I'm afraid. Not till you are employed in our bank.

S.: Well, suppose one has some funds on hand, I'm wondering whether he ought to put them in a savings account.

C.: It's a good idea, if he wants to keep his investment fairly liquid. And he might also think of a time deposit.

S.: What's the difference?

C.: Well, first of all, his time deposit is for a specified term, but he can make withdrawals from his savings account at any time, although as much as thirty days' notice of withdrawal may be required.

S.: Do they draw the same rate of interest?

C.: The bank pays the maximum 4% per annum at maturity on a one year time certificate. Interest on a savings account accrues at the rate of 3%.

S.: How do you figure the interest on a savings account?

C.: It's compounded and credited to the account semi-annually.

S.: You mean added to the principal?

C.: Yes. And we issue each customer a passbook on his savings account in which each deposit and withdrawal is entered.

S.: Is either type of account transferable?

C.: Only time certificates.

S.: Are these deposits insured?

C.: Yes. We're a member of the Federal Deposit Insurance Corporation.

Questions on the dialogue:

1. What is a checking account ledger?
2. Why does the bank send a copy of the statement with all checks cancelled to every customer?

3. Are service charges debited or credited to an account?
4. What happens when a cashier notices an overdraft on somebody's account?
5. What does a teller have to do before he cashes a check?
6. What advice would you offer to a customer who has some funds on hand?
7. Why is it profitable to deposit your funds for a specified term?
8. How is the interest on a savings account figured?
9. Which type of account is transferable?
10. How are customer's deposits protected?

Text

There are two general reasons for using a bank account. The first and most common is the convenience and safety provided by a current account at a bank. The second is that small and perhaps regular surpluses are available to be saved, and for this purpose a bank provides deposit accounts.

A deposit account will not offer a high rate of interest and would not be the best way to save large sums of money for any long period of time, but it is designed to make saving simple, convenient and safe. It is especially appropriate for those who may save small amounts from time to time without any planned regularity or for those who wish to save for a particular purpose in the immediate future, for example for annual holidays or for the purchase of a major item such as a car.

Most customers of a bank who have opened a deposit account will also have a current account and this makes the transfer ot amounts of money from one to the other an easy matter. Regular payments into a deposit account can be made through a standing order to the bank who will automatically transfer the agreed amount according to your instructions. Other payments are made on standard forms but it is most convenient and provides a useful record if the depositor uses a paying in book. Interest is calculated every six months and added to the ac-

count. The rate of interest varies from time to time and is publicly advertised in any bank. Because the bank uses money deposited with them to lend to others it normally requires about seven days notice of intention to withdraw money from a deposit account, but unless there is a heavy demand for money they are not likely to insist on this and cash is often immediately available to those who wish to withdraw it. There is an assumption that such notice was given and you would lose seven day's interest on the money.

The increasing need for security and the use of computers in wage payments have combined to make it more common to have a bank account than to be without one. This kind of account is a current one and its most common use is a single regular payment in either a weekly wage or a monthly salary and regular payments out to meet the normal everyday expenses. Most payments are still made by cheque although the use, of the standing order or the direct debit is becoming very common. It is normally expected that a current account will remain in balance and customers who regularly maintain an agreed minimum balance are often given the services of the bank without charge. In general, however, charges are made which vary with the size of the balance, the amount of use of the bank's services and the number of transactions. If the account is overdrawn a further charge, which is interest on the overdrawn amount, is also made.

Overdrafts are not permitted automatically and anything other than a small temporary overdraft would have to be by agreement with the bank manager. Such a facility is often useful particularly when there is a short term disbalance between income and expenditure. On the other hand, since money in a current account does not attract interest, it is not a good idea to maintain large cash balances, these would be better transferred to a deposit account or to an alternative form of saving.

Questions on the text:

1. What are the two main reasons for opening a bank account?
2. Which type of account is used by those who wish to save?
3. What kind of saving is this type of account most suited to?

4. What is a standing order?
5. Why does a bank sometimes need notice of intention to withdraw money from saving accounts?
6. What is the most common use of current accounts?
7. Why are some customers not charged for the facility of a current account?
8. Why is it not a good idea to retain large balance in a current account?

Vocabulary Exercises

I

Find proper definitions

Terms	Definitions
1. Debit	a) the unpaid balance or portion of a loan or investment on which the interest is figured
2. Balance	b) an amount by which withdrawals are greater than the balance in an account
3. Overdraft	c) the point at which a loan or investment is due
4. Compound	d) the amount which has to be paid for the use of a bank's services by a current account holder
5. Maturity	e) a figure in the ledger indicating a withdrawal or a change
6. Principal	f) the amount remaining in an account
7. Charge	g) figure interest on the principal plus any accrued interest
8. Rate of interest	h) the amount per hundred pounds which is added to the balance of a deposit account

II

Using the words in brackets as a guide, explain the meaning of the following terms:

1. deposit (put into, an account)
2. withdrawal (an account, remove from)
3. standing order (transfer, automatic, bank, customer, instructions)
4. joint account (two or more people, owned by)
5. statement (a customer's deposits and withdrawals, a record)
6. overdraft (current account, balance)
7. interest (the use of money, pay for)
8. notice (one's intentions, an announcement of)
9. insurance (loss, protection against, government agency or another specializing in)

III

Choose the right answer:

1. «a current account» is:
   a) one which is available for the time being,
   b) one in which savings are held,
   c) one which is used all the time for day-to-day transactions.

2. «a canceled cheque» means:
   a) worthless cheque,
   b) stamped to indicate that payment has been made,
   c) crossed cheque.

3. «a genuine signature» is:
   a) a person's name written by himself,
   b) a person's name written correctly,
   c) legible signature,

4. «an outstanding cheque» means:
   a) unpaid cheque,
   b) written but not yet presented for payment,
   c) overdue cheque.

5. «a deposit account» is:

a) one from which regular payments are made,
b) one in which savings are held,
c) one from which withdrawals can be made by cheque.

6. "rate of interest» is:
a) the percentage of each unit of money paid for its use,
b) rate of profitability,
c) portion of an investment on which the interest is calculated.

7. «an overdraft» is:
a) an amount by which the balance in a current account exceeds the value of a cheque drawn from it,
b) an amount by which the value of a cheque exceeds the balance in the current account,
c) an excessive balance in a current account.

IV

Say what is true and what is false. Correct the sentences:

1. The teller has to learn to recognize all customers' signatures.
2. If you want to keep your investment fairly liquid, put it in a deposit account.
3. You cannot make withdrawals from your deposit account.
4. Interest is paid by the bank on both current accounts and deposit accounts.
5. Withdrawals are made from a deposit account by cheque or standing order.
6. Money is easily transferable from a current account to a deposit account.
7. The rate of interest on deposit accounts is fixed.
8. It is easier to get money out of a deposit account than it is from a current account.

V

Give verbs which correspond to the following nouns:

Nouns	Verbs
Assumption	
Debit	
Deposit	
Maturity	
Notice	
Overdraft	
Statement	
Withdrawal	

VI

Find synonyms:

to debit	to maintain
to deposit	to credit
to reconcile	to permit
to sign	to cancel
to accrue	to pay in

VII

Collocations.

1. *Find the nouns which are qualified in the text by these adjectives and write one noun to each adjective:*

general	especially
most	minimum
regular	short-term

2. *Combine the words listed below into meaningful two or three word expressions.*

interest	overdraft
certificate	balance

charge
cheque
deposit
account
withdraw
service
savings

VIII

For each off the following phrases find the expression in the text or in the dialogue that explains it:

1. to record figures in a ledger
2. to compare one's own records with the bank's statement and make them agree
3. money paid for the use of someone's money
4. to increase in quantity
5. the date when a loan or investment is due
6. a specified period of time
7. to protect against loss or damage
8. at the rate of 5% each year
9. an instruction to a banker to make a payment at regular intervals
10. an instruction to a banker to make a single payment to a specified person
11. the amount on which the money paid for its use is calculated
12. on my deposit account this payment for the use of my money builds up at the rate of 3%
13. another type of account into which my salary is paid every month
14. the amount which I have to pay the bank for the use of their services
15. the amount by which my current account holding is greater than nothing
16. my statement shows me that I owe the bank money

IX

Fill in the blanks:

Mr Collins and his wife have a current account in both their names. They have a ...... They both work and put money into the account. They both make ...... Sometimes they get mixed up about the amounts of money they have removed from their account. They get confused about their ...... Once or twice the amount remaining in their account has become too low. They have had too small a...... The next cheque they wrote was for more money than they had in their account. They had an ...... The only way they could restore the balance was to get a record of their deposits and withdrawals from the bank. So they asked for a ...... They also had the cheques which had been stamped to indicate that payment had been made. They had their ..... cheques. Then they added up the cheques that had been written but had not been paid by the bank yet. They totaled their ..... cheques. They also subtracted from their balance the bank charges and interest on the ...... Finally they managed to make their records agree with the bank's statement. They ..... their account.

X

Demonstrate the meanig of the following expressions in sentences of your own:

1. to reconcile a statement with one's own records
2. to have a joint account
3. to have an overdraft
4. to cover an outstanding cheque
5. to send your banker a standing order
6. to make a withdrawal
7. to calculate interest on
8. to pay interest

3-1745

Unit Four
Applications for Loans

Active Vocabulary:

amortize (v)	—1) погашать долг в рассрочку 2) обеспечивать постепенную выплату займа
repaid by annual installments	— выплаченный в рассрочку
appraise (v)	— оценивать, определять стоимость
assets	— имущество, достояние, средства; активы; фонды; капитал
fixed assets	— основные средства, основные фонды
current assets	— текущие активы
balance sheet	— балансовый отчет
chattel	— движимое имущество
chattel mortgage (US)	— ипотечный кредит
clear	— осуществлять клиринг векселей, чеков; выплачивать по чеку клиента
collateral security	— имущественное обеспечение, обеспечение ценными бумагами
collateral	— обеспечение; залог; дополнительное обеспечение
debt	— долг, задолженность, обязательство
deed	— документ, скрепленный подписью и печатью
discount (v)	— 1) дисконт, учет векселей 2) процент скидки, ставка учета
encumbrance	— закладная, долг, обязательство

equity	— 1) маржа 2) доля акционера в капитале 3) обыкновенная акция
estate	— имущество, состояние
estimate (v)	— 1) оценивать 2) подсчитывать 3) составлять смету
holding	— 1) владение акциями 2) пакет акций
holdings	— вклады, авуары
indebtedness	— задолженность
installment	—1) очередной взнос 2) частичный платеж
legal charge	— законная плата
liabilities	— денежные обязательства
liquidate (v)	— ликвидировать, погашать
mortgage	— ипотека; залог; закладная
net value, net worth (US)	— чистая стоимость компании; собственный капитал
obligation	— долговое обязательство; облигация
pledge (v)	— закладывать
property	— 1) собственность 2) имущество
real estate (US)	— недвижимость
retire (v)	— погашать долговое обязательство
securities	— ценные бумаги, фонды
title	— право собственности
trust	— 1) траст, доверительный фонд 2) кредит / давать в кредит
trust deed (US)	— акт учреждения доверительной собственности

3*

Dialogue

Read the dialogue.

Part I. Application for Credit

Banker: Our discount committee is still discussing your application for credit. I wonder if you'd mind giving us some more information about certain items shown on your balance sheet.

Customer: Not at all.

B.: Is the mortgage on your fixed assets being amortized?

C.: Yes. We're making semi-annual payments on this obligation.

B.: Your balance sheet show some indebtedness. Are any of your assets pledged as security?

C.: No. That's just an open note.

B.: Would your company be willing to pledge part of its current assets as collateral security to our loan?

C.: We wouldn't object to that. Part of this money will be used to retire present debts and part to expand our operations. Then we can immediately begin to liquidate this new liability.

B.: I think we'd better prefer that arrangement.

Part II. Granting the Loan on an Open Note

Builder: I received your notice that my note is due. I can pay it off now, but there is a piece of land right next to my property that I'd like to buy.

Banker: I don't remember your situation exactly. Are your present holdings free of encumbrance?

Bu.: My real estate is clear. But there's a chattel mortgage on my construction equipment.

Ba.: Has this land you want to buy been appraised?

Bu.: Yes. It belongs to an estate and was appraised by order of the court. They estimated its value at $20,000.

Ba.: Can it be bought for that figure!

Bu.: I think so. I'd like to make them that offer.

Ba.: Would you consider giving us a trust deed to secure your present note plus the additional funds you'll need?

Bu.: I might. But I'd thought that my net worth is high enough that I could borrow the amount on my open note.

Ba.: Well, in that case, would your wife agree to be a co-signer?

Bu.: I'm sure she would, because title to the property will be in both our names.

Ba.: Well, it seems to me that you have enough equity in your property for us to make the loan on an open note.

Questions on the dialogue:

Part I.

1. What is the customer applying for?
2. Has the banker decided whether to grant the credit yet or not?
3. What sort of information is the banker interested in?
4. How does the banker want to secure the bank's credit?
5. How is the company going to use its current assets?

Part II.

6. Why is the builder asking for the extension of his note?
7. What is his present financial standing?
8. Has the land he wants to buy been appraised?
9. What sort of guarantee does the banker insist on to secure the funds the builder will need?
10. What made the builder think that he could borrow the amoun on an open note?
11. Who will hold the title to the property purchased?
12. Why has the banker agreed to grant the loan on an open note?

Text

Banks make their profits by lending the money which customers deposit with them to others who need it for personal or business reasons. Most people need more money than they have currently available at some time in their lives.

To be a borrower you must be a customer of the bank because the money will be lent to you through a bank account. There are two ways in which you may borrow. The first, and easy, is to spend more money than you have in your current account – to overdraw. The second, and the normal way of borrowing larger amounts or for a long period of time is the loan.

If a manager permits an overdraft on current account he is likely to set a limit to the size of the overdraft and may stipulate a date by which the account is back in credit. Businesses whose payments and receipts are often irregular will frequently need to use overdraft facilities and they are often granted to private customers as well particularly when the manager knows that regular payments are made directly into the account.

If a loan is granted it will be a fixed sum immediately available for a fixed period of time. The principal and the interest on it may all become due for payment at the end of that period but for personal loans it is common to arrange that the loan and interest are repaid in equal regular instalments over the period of the loan. A separate account is opened to record the repayments as they are made.

Whether you are seeking money for business or personal reasons there are a number of things that the manager will want to know before he is prepared to grant your request. The obvious facts will be the amount that you seek and the arrangements for re-payment that you are able to suggest. You need to tell him something about the purpose of the loan, a business loan is likely to help you make profits out of which the loan can be repaid with interest and he will wish to judge for himself whether or not this is likely. Personal loans usually have to be repaid

out of an income which will not get any bigger and the manager will be particularly anxious to ensure that you are not being too optimistic. In deciding this he will be considerably assisted by his knowledge of you and his estimate of your character.

Sometimes people do not ask for enough money because they are anxious about the burden of the repayments. The manager will be wise enough to try and ensure that you will have sufficient amount of money to do what you want to do. Finally he will consider whether or not you really will be able to repay and what kind of security you can offer against the possibility that you do not repay. In the case of a business the manager may well want to see well prepared, relevant documents such as profit and loss accounts and balance sheets for the most recent years. He would also ask about the expected return from the use of the money and want to see some figures upon which you have based your calculations. For a business good security might be one or more of the assets of the business whilst personal loans are often secured by such things as life insurance policies on which the bank is making regular payment for you or the deeds of your house.

Questions on the text:

1. What two kinds of borrowings are possible?
2. In what circumstances an overdraft on current account is permissible?
3. How are personal loans usually repaid?
4. Will you pay back more than you borrowed? What will the difference be?
5. What information will the manager require for a personal loan?
6. What information will he require for a business loan?
7. What other things will he take into account?
8. What will he need from you to make the loan safer for him?
9. What does a businessman mean by his expected rate of return?
10. Why might this be important to the bank manager?
11. What kind of things might you offer as collateral for a personal loan?

Vocabulary Exercises

I

Find proper definitions:

Terms	Definitions
1. Mortgage	a) anything owned that has financial value
2. Collateral security	b) an asset, such as real estate, which cannot be readily changed into money
3. Asset	c) assets other than real estate which can be readily changed into money
4. Open note	d) to promise as security
5. Current asset	e) some security in addition to the main security for money lent
6. To pledge	f) an agreement to give up collateral which has been pledged if a debt is not paid
7. Fixed asset	g) a note, the payment of which is not guaranteed by collateral security
8. Real estate	h) anything owned, especially real estate or land
9. Chattel mortgage	i) land including anything constructed on it
10. Deed	j) a mortgage on any personal or movable possesions such as furniture or equipment
11. Equity	k) a document which proves legal ownership of real estate
12. Property	l) the value of the piece of property beyond any indebtedness held against it
13. Principal	m) a statement of the assets and liabilities of a business which shows its position at a particular date
14. Instalment	n) a payment towards a larger sum usually made at regular intervals
15. Loan	o) the amount of the loan itself before any interest is added

Terms	Definitions
16. Repayments	p) a statement which shows the calculation of the results of doing business for a particular period of time
17. Balance sheet	r) a fixed sum of money borrowed for a fixed period of time
18. Profit and loss account	s) land or buildings
19. Real property	t) amounts of money which are given to a creditor in settlement of a debt or a loan

II

Using the words in brackets, explain the meaning of the following terms and phrases:

1. the mortgage is being amortized (regular payments on, the principal, the interest, make)
2. obligation (must, indebtedness, repay)
3. to retire present debts (current, pay off)
4. to liquidate the liability (any official obligation, pay off)
5. the land has been appraised (estimate, its value)
6. an estate (a dead person, left by, the holdings and obligations)
7. trust (the legal responsibility, in financial matters, given to one party, to act for another)
8. a trust deed (a deed to, real estate, security for a loan, held as)
9. to make a loan on an open note (grant, the repayment, not guaranteed collateral security)
10. to stipulate (insist upon, state, particular date)
11. to repay (give back, pay off)
12. expected return (profits, earnings, income)
13. security (ensure repayment, deeds, insurance, policy, reduce risk)

III

Choose the right answer:

1. «application for loan» means:
   a) granting loan,
   b) asking to be granted loan,
   c) refusal to grant loan.
2. «balance sheet» denotes:
   a) total profit,
   b) total revenues,
   c) a document which shows the state of a business at a particular moment
3. «indebtedness» here means:
   a) repayment,
   b) owing thanks,
   c) debt, borrowing.
4. «security» in this sense is:
   a) bonds, share certificates and other titles to property,
   b) safety,
   c) a guarantee of payment.
5. «principal» here means:
   a) the most important information,
   b) the amount of the original loan,
   c) the chief item or person.
6. «my loan is due for repayment» means:
   a) my loan has reached maturity,
   b) my loan has been paid off,
   c) my loan has been extended.
7. «holdings free of encumbrance» means:
   a) holdings heavily in debt,
   b) the encumbrance isn't very large,
   c) property or security clear of indebtedness.
8. «my net worth»means:
   a) the value of one's holdings after all obligations have been paid,
   b) any personal or movable possession,

   c) net earnings.
9. «a co-signer» denotes:
   a) a person who holds a deed to the property,
   b) a person who signs a document with another person and shares the obligation,
   c) a lawyer who prepares a trust deed.
10. «title to property» is:
   a) the record or proof of ownership of property,
   b) the name of the person who owns the property,
   c) a word indicating a high financial rank.
11. «my expected return» means:
   a) when I expect to come back,
   b) the amount of money I expect to have to repay,
   c) the income I expect to receive from doing business.
12. «deeds» are:
   a) actions,
   b) documents showing how well my business is doing,
   c) documents which prove that I own a particular piece of real property.

IV

Say what is true and what is false. Correct the false sentences:

1. When a bank's manager considers an application for a loan, he usually requires some information about the items shown on the applicant's balance sheet.
2. The manager is not concerned whether any of the applicant's assets have already been pledged as security.
3. The bank often asks the applicant to pledge part of his assets as collateral security to the bank's loan.
4. One cannot apply to a bank for an extension of a loan.
5. To grant a loan the bank must be sure that the applicant can repay it.
6. The bank will never wish to offer a larger loan than the applicant asks for.

V

Find synonyms for:

liability	optimistic
collateral	security character
repay debts	sufficient

VI

1. *Find the nouns which are qualified by these adjectives and write one noun to each adjective:*

additional	open
collateral	personal
current	present
expected	private
financial	real
most recent	semi-annual

2. *Combine the words listed below into meaningful two or three word expressions:*

asset	equipment
current	fixed
committee	instalment
deed	loan
discount	net
documents	worth

VII

Explain the following:

1. to promise as security
2. to pay off debts
3. to grant a permission to borrow money
4. to make regular payments on the borrowed money
5. to judge the value of something

6. to guarantee the payment of the loan
7. to give a mortgage on one's furniture and other movable possessions
8. to give a deed to the property as security for the loan
9. to sign with someone a document and share the obligation
10. valuable items handed over to reduce the risk of a loan
11. to fix a date by which something must he done
12. to take more money out of your account than you have in it

VIII

Fill in the blanks:

Last week Mr Auger went to his bank to apply for a ..... as he wishes to purchase a piece of land right to his own. He applied for a .... and the bank asked him for a statement of his business affairs including a .... account and a ......

The bank manager was happy to grant the loan but wanted some form of ..... from Mr Auger and asked him if he would offer one or more of his fixed ..... as ...... The bank was prepared to make the loan for ten years and expected Mr Auger to pay off the annual ..... and some of ..... each year in two equal ..... every six months.

IX

Demonstrate the meaning of the following expressions in sentences of your own:

1. to amortize the mortgage on
2. to pledge assets as
3. to extend credit to
4. to settle a liability
5. the instalment is due on
6. to appraise the property
7. to hold the deed to property
8. to estimate net worth of the property
9. to give somebody collateral
10. to draw up a profit and loss account

Role Play

1. *You are a bank manager and you were asked for a loan.*

2. *Consider the things you will worry about the loan and the questions you will want to be answered;* you should give particular consideration to:

– whether you will have sufficient funds to make this loan,

– whether you think the customer will be able to repay loan and interest,

– whether you would offer all or part of what is being asked,

– whether you need any further evidence of the credit-worthiness of your customer and how you would get it,

– what sort of security would you accept,

– what kind of term would you offer.

3. *Conduct the interview:*

a) if you refuse the loan, write to the client setting out the reasons why you have done so;

b) if you grant the loan, write to the client setting out the precise terms of the loan.

Unit Five

Bank Investments

Active Vocabulary

advance	— 1) аванс, авансирование 2) ссуда, заем
Al, first class, AA-rating (US)	— первоклассный
bond	— 1) облигация 2) закладная 3) долговое обязательство
bonds issue	— выпуск облигаций, заем
blue chips	— первоклассная ценная бумага
capital market	— рынок долгосрочного ссудного капитала
cash	— наличные деньги, кассовая наличность
cash-in-banks	— банковская наличность
diversify (v)	— вкладывать капитал в различные предприятия
fluctuation	— колебания, изменения курса
general obligation bond	— облигация под общее обязательство; муниципальная облигация
issue bonds (v)	— выпускать облигации
money market	— 1) денежный рынок 2) рынок краткосрочного ссудного капитала
municipal bond	— облигация муниципалитета
offering	— ценные бумаги, предлагаемые к продаже
portfolio	— портфель ценных бумаг

rate of return	— 1) норма прибыли 2) коэффициент окупаемости капиталовложений
reconciliation	— приведение клиентом учета своих операций в соответствии с учетом банка; согласование, выверка
revenue	— 1) доходы 2) государственные доходы
revenue bonds	— облигации, обеспеченные доходами от определенного объекта
share	— акция
stock (US)	— акция
speculative	— 1) спекулятивный 2) рискованный
tax-exempt	— не облагаемый налогом
working capital	— оборотный капитал
yield	— 1) доход по ценным бумагам 2) доход в виде процентов на вложенный капитал
yield interest (v)	— приносить процентный доход

Dialogue

Read the dialogue in parts.

Board Member: I notice that our cash and cash-in-banks has been building up above the amount required by law.

President: I've had the same thoughts. And right now there is a new offering of municipal bonds that can be bought at a price that will yield 3.5%.

B. M.: Are they general obligation bonds?

P.: Yes, they are. I prefer those to revenue bonds, don't you?

B. M.: I do. Does this issue have an AA rating?

P.: Yes. And they can be had in five to ten-year maturities. They're tax-exempt, you know.

B. M.: Do you think we might also buy some stocks to keep our portfolio well diversified?

P.: Well, we might. But stocks are much more speculative.

B. M.: Unless we stick to blue chip issue. They show less price fluctuation.

Questions on the dialogue:

1. What problem is being considered by the President and the Board Member?
2. How can the bank invest its funds profitably at present?
3. Why does the President prefer to invest in general obligation bonds?
4. What does the President know about a new offering of municipal bonds?
5. Where else can they invest the bank's funds?
6. What sort of stocks are they going to invest in and why?

Text

The investment policy of a bank is based upon the reconciliation of two conflicting aims. On the one hand the bank wants to make as much profit as it can and for this reason it must take the risks of lending money. On the other hand its funds belong to its depositors and must be available whenever they wish to make withdrawals.

There are two things that the bank must therefore do. First it must keep a proportion of its assets in the form of cash to meet demands. The amount that this needs to be varies very little from one bank to another or from one day to another and experience suggests that it is about six percent. As a cushion against unexpected demands a further propor-

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tion of funds is invested at low rates of return in highly liquid lending mostly to firms in the money and capital markets.

The second thing that the bank must do is to ensure that the investments it chooses are safe. This also means that they are relatively low yielding since high yields are associated with risk and with lending for long periods of time. Much of a bank's investment is in short and medium term government and local government bonds. They yield certain incomes and are readily saleable should the occasion demand.

Advances by a bank to its customers are the least liquid of their assets since there are few borrowers who could repay a loan at very short notice. However, they are also the most profitable of them yielding the highest rate of return. Advances to customers are likely to account for more than two thirds of the banks investment portfolio although this will vary on a day to day basis since overdrafts are the most common form of advance and are not immediately controllable by the bank.

In general banks do not lend to industry for long periods of time or for investment projects. They regard themselves as providing working capital rather than fixed capital.

Questions on the text:

1. What two conflicting aims must a bank reconcile in its investment policy?
2. What must the bank do to be ready to meet demand for cash on the part of its customers?
3. Why does the bank prefer rather low yielding investments?
4. Which investments do usually yield high returns?
5. Which investments are hardly controllable by the bank? Why?
6. Why don't banks usually invest in industrial projects?

Vocabulary Exercises

I

Find proper definitions:

Terms	Definitions
1. Tax	a) the pattern of investments held by a bank
2. Yield	b) a government or local government security
3. Cash	c) the actual return from a particular investment
4. Bond	d) a unit of ownership in a company
5. Stock/share	e) a stock thought to be of highest quality
6. AA rating	f) money collected by a government for its support
7. Portfolio	g) the speed with which an investment can be redeemed for cash
8. Liquidity	h) coins and bills

II

Using the words in brackets, explain the meaning of the following terms:

1. cash-in-banks (as a reserve, risk, withdrawals)
2. general obligation bonds (secured by, the property of a city, other unit of government)
3. municipal bonds (for sale, a city or other unit of government, offered by)
4. revenue bonds (revenues, repaid out of)
5. AA rating (a bond, a stock, the value of, a high estimate of)
6. tax-exempt (tax obligation, free from)
7. working capital (day to day, stock, cash, needs)
8. fixed capital (machinery, buildings, long term)
9. high yield (good return, risk, long period of time)
10. overdraft (current account, withdraw, exceed).

4*

III

Choose the right answers:

1. «our portfolio» in this dialogue means:
   a) a wallet,
   b) a list of stocks and bonds belonging to the bank,
   c) a list of bank's fixed assets.
2. «a portfolio well diversified» is:
   a) one yielding high interest,
   b) entirely made up of blue chip stocks,
   c) one made up of a variety of stocks and bonds.
3. «price fluctuation» is:
   a) a price stability,
   b) an increase in prices,
   c) a changing back and forth in the price.
4. «speculative» means:
   a) risky,
   b) disequilibrating,
   c) negotiable.
5. «yield 3.5%» means:
   a) earn 3.5%,
   b) treble the price,
   c) rise by 3.5%.
6. «advances» here means:
   a) approaches from one person to another,
   b) improvements in a bank's position,
   c) loans and overdrafts for customers.

IV

Say what is true and what is false. Correct the false sentences:

1. Bonds are highly liquid investments.
2. Stocks are less speculative than bonds.

3. Blue chip issues show a lot of price fluctuation.
4. It is desirable to diversify one's portfolio.
5. All municipal bonds are tax-exempt.
6. Bonds yield uncertain incomes and are difficult to resell.
7. Advances are the most liquid of bank's assets.
8. Advances are the most profitable of bank's investments.

V

Using suffixes **-al, -able, -ory, -ive,** *etc., give adjectives which are related to the following verbs:*

change	profits
control	sell
desire	speculate
negotiate	transfer
pay	value

VI

For each of the adjectives formed in exercise V, find the noun which could be described by it. Write one noun to each adjective.

VII

Combine the words listed below into meaningful two or three word expressions:

bank	fluctuation	member
bond	general	local authority
blue-chip	issue	obligation
liquid	investment	price

VIII

For each of the following phrases, find the expression in the text that explains it:

1. a stock of the highest quality
2. a unit of ownership in a company
3. the return actually received from an investment
4. changes in prices
5. a list of stocks and bonds belonging to a company
6. a firm's investment in long term assets
7. loans and overdrafts granted to customers
8. bought and sold in an attempt to make profits from price fluctuation
9. the amount of cash needed by a firm for day to day activity
10. a protective barrier against the unexpected

Unit Six
Types of Banking Institutions

Active Vocabulary

broker	— брокер, маклер
brokerage	— 1) брокерское вознаграждение, комиссионые брокера 2) брокерское дело, маклерство, посредничество
firm of (stock) brokers	— брокерская фирма
brokerage house (US)	— брокерская фирма
commercial bank	— коммерческий банк
credit union	— кредитный союз
disbursement	— выплата в порядке погашения
exchange equalization account	— валютный уравнительный счет
fiduciary	— доверенное лицо, фидуциар
finance company	— финансовая компания
lend (v) (lent, lent)	— ссужать, давать взаймы, одалживать
lending institution	— кредитное учреждение
national bank	— национальный банк
savings and loan Association (US)	— ссудно-сберегательная ассоциация (ам)
ration (v)	— нормировать
security, securities	— ценные бумаги
state bank	— государственный банк
stock exchange (S.E., St.Ex.)	— фондовая биржа
scrutiny	— проверка

subscribe (v)	— подписываться на ч.-л., приобретать по подписке
subject to	— подлежащий чему-либо
The Treasury	— казначейство, министерство финансов
United States Treasury (Departament) (US)	— казначейство, министерство финансов (ам.)
to some extent	— в какой-то мере, до какой-либо степени
transaction	— сделка
trust	— траст, кредит
trust company	— трастовая компания

Dialogue

Read the dialogue in parts.

Types of Banking Institutions

Student: What type of bank is this?
Banker: We're a commercial bank.
S.: Does that mean that your services are limited?
B.: To some extent. For instance, we can't offer the fiduciary services that a trust company can.
S.: What are they?
B.: Well, they have to do with the administration of trusts and estates.
S.: Suppose I wanted to buy or sell some securities. Does your bank handle such transactions?
B.: Yes, through our brokerage house.
S.: Is your broker a member of the stock exchange?
B.: Yes.
S.: This is a state bank, isn't it?

B.: That's right.
Do you offer fewer services than a national bank?
B.: No. In general, the only difference is that a state bank gets its charter from the state it's in, and the national bank gets its carter from the federal government in Washington, D.C.
S.: Are there banks that don't offer regular commercial services?
B.: Oh, yes. For example Savings and Loan Associations and the Federal Land Banks are only lending institutions.
S.: Would you say a savings and loan association is a bank?
B.: No. I'd rather call it a financial institution.
S.: How about a credit union?
B.: That's not really a bank, either.
S.: And a finance company is something entirely different.
B.: Yes.

Questions on the dialogue:

1. What regular services does a commercial bank offer to its customers?
2. What is the difference between a national bank and a state bank?
3. Which institutions deal with fiduciary services?
4. What do you understand by fiduciary services?
5. What is the job of a broker?
6. Where are brokerage transactions concluded?
7. What services are offered by:
   – Savings and Loan Associations?
   – Federal Land Banks?
   – credit unions?

Text

The reason for which the Bank of England was founded in 1694 was to look after the Government's debt, commonly called the National

Debt, and this is still a most important function. A large proportion of the debt is made up of Government bonds, that is pieces of paper stating that the holder has subscribed such-and-such a sum of money and is entitled to so much interest per year. Two world wars have helped to swell the issue of bonds to some $,40,000 million. Another sizeable slice of debt is in the form of Treasury bills which are rather like bonds with a very short life span before the Government buys them back again and so repays the loan. Their purpose is to provide the government with day-to-day money to cover the inevitable gaps which occur between its disbursements, e.g. on such things as unemployment benefit and its receipts from taxation. A third type of debt is the group of National Savings Securities, of which ordinary Post Office (now National Savings Bank) accounts and Premium Bonds are perhaps the best-known examples.

The Bank of England is the ultimate source from which the general public can obtain cash. Other English banks used to issue their own notes, but now they all use the Bank of England notes. Scottish banks have continued to issue their own, but it is an expensive undertaking, and is closely controlled by the central bank in England.

The Bank also looks after the bank account of the Government just like an ordinary bank does for its customers. Into this account go all tax receipts and any other transfers of money from the various banks, and out of it go all payments.

Because all the important institutions in the City maintain accounts at the Bank, transfers of money between them and the Government, which go on every day, are made very easily. The Bank merely debits one account and credits another. The Bank also holds accounts for important international institutions like the World Bank, for just over a hundred central banks and also for some ordinary foreign banks, making a total of nearly two hundred accounts.

The Exchange Equalisation Account is the name of the fund in which are held the gold and foreign currency reserves of the country. The managers of the fund have the task of intervening from time to time in the otherwise free market for foreign currency, so as to influence the

price of the pound in line with Government policy, or simply to try to maintain a reasonably orderly market.

The pound is not the only currency whose price has to be carefully controlled. Most of the major world currencies have the same problems, and all greatly benefit from international cooperation. Dealing with other central banks and managing money on an international scale has become an important side of the Bank's work. Every month the Governor flies to Basle to spend a week-end in conference with his opposite numbers from the central banks of other western industrial countries.

The object of the Bank's management in the monetary field is to support the Government's activities in other fields, e.g. taxation policy, export promotion and so on. The methods of control used by the Bank are based on a system in which money available to be borrowed should be rationed by price, not by orders from the Bank or The Treasury.

The battery of instruments of control the Bank has may be summarized as follows:

1. Suggestion and request. From time to time the Bank will make suggestions to the other institutions in the City, indicating the policy the authorities intend to pursue. If they want specific action, the Government makes a «request» like the following:

«Notice to banks.

All banks and finance houses are asked not to provide either loans to persons or check trading facilities for the purchase of ...»

2. Open market operations. This is the name given to the activities of the Bank in the financial markets for control purposes. The point is that by its interventions the Bank can influence markets to move in the directions which it desires.

3. Special deposits and supplementary deposits. From time to time, the Government may wish to reduce the amount of money that people can borrow in order to reduce the amount they spend. An effective way of doing this is to reduce what the banks have available for lending, and this is done by requiring them to deposit more money at the Bank of England in special accounts from which it cannot be withdrawn until the Bank says so.

Questions on the text:

1. Why and when was the Bank of England founded?
2. What type of securities make up the National Debt?
3. What is the money raised in this way spent on?
4. Enumerate the most important functions of the Bank of England
5. What is the object of a central bank's management in the monetary field?
6. What principle does the Bank of England follow in exercising its control over the monetary policy?
7. What instruments of control has the Bank got at its disposal?

Vocabulary Exercises

I

Find the names of banking and financial institutious mentioned in the dialogue and the text and match them with the definitions given in the exercise

1. A bank whose major services are accepting and protecting money for deposit and paying cheques issued by the depositors, laws permit to invest for profit a portion of this money.
2. A bank which has a charter from the federal government.
3. A bank which has a charter from a state government.
4. A bank established by the government of the USA to make loans for the purchase of land.
5. An institution which handles brokerage.
6. A place where stocks are bought and sold.
7. An institution formed by a group of persons who combine their savings in order to make loans to members at a low rate of interest.
8. A lending institution without a bank charter which specializes in making small loans on open note or secured by chattel mortgage.
9. An institution which accepts savings deposits and makes loans mainly for the purchase and repair of homes.
10. An institution which manages trusts and services.
11. A banker's bank and lender of last resort.

II

Using the words in brackets as a guide, explain the meaning of the following terms:

1. fiduciary services (trusts, estates, management, having to do with)
2. securities (units of fixed obligation, a company, government, fixed term, stocks)
3. broker (stocks and bonds, for others, sells, buys)
4. charter (to carry on, give permission, an official paper)
5. lending institution (to make loans, empowered)
6. The Treasury (government, department, British, national economic policy, public expenditure, control, coordinate)

III

Say what is true and what is false. Correct the false sentences:

1. Commercial bank's services are limited.
2. Fiduciary services are handled by trust companies.
3. Commercial banks don't deal with brokerage services.
4. American state banks offer fewer services than a national bank.
5. The interest on deposits is usually higher in savings and loan associations.
6. Savings and loan associations offer regular commercial services.
7. Every English bank issues its own notes.
8. All the important institutions in the City maintain accounts at the Bank of England.
9. The amount of money available for British borrowers depends on The Treasury orders.

IV

Study the following example:

We employ people.
A person who employs is an employer.
A person who is employed is an employee.

The suffix -er is generally used for a person who does the action. The suffix -ee is generally used for a person to whom something is done. It has passive meaning.

V

Complete the following:

1. We remit money orders.
   A person who remits is a ......
   A person to whom the money order is remitted is a ......
2. We transfer bank drafts.
   A person who transfers them is a ......
   A person to whom they are transferred is a ......
3. You draw out a cheque.
   A person who draws a cheque is a ......
   The bank on which the cheque is drawn is a ......
   A person to whom the cheque is made payable is a ......
4. One can pledge assets as security.
   A person who pledges assets as security is a ......
   A person to whom assets are pledged is a ......
5. Loans are granted.
   A person who grants a loan is a ......
   A person to whom a loan is granted is a ......
6. A person to whom one's affairs are trusted is a ......

VI

*Using prefixes **il-, im-, in-, ir-, un-, non-, etc.**, give negative adjectives which are related to the following:*

expensive	negotiable	regular
important	orderly	spicified
legal	payable	stable
matured	proper	sufficient
movable	profitable	transferable

VII

Combine the words listed below into meaningful two or three word expressions as possible:

account	credit	revenue
association	company	savings
bank	exchange	state
benefit	equalization	stock
bond	finance	trust
business	government	transaction
brokerage	house	union
board	loan	employment
central	land	
charter	premium	

VIII

For each of the following phrases, find the expression in the text that explains it:

1. restricted range of services
2. services having to do with trusts and estates
3. services having to do with buying and selling securities
4. bank which gets its charter from the state
5. stocks and bonds
6. a place where stocks are bought and sold
7. the fund in which the gold and foreign currency reserves of Great Britain are held
8. bonds with a very short life span before the government buys them back again
9. economic policy which regulates the level of money or liquidity

IX

Fill in the blanks:

In every capital city there are numerous institutions which make loans. There are numerous ..... institutions. One can also borrow money from the ....., though their major function is accepting deposits. People who need a loan for the purchase of land can apply for it to a ...... If you need to borrow money for the purchase or repair of your house or just make saving deposits you can call at a ...... Many individual companies run ..... which are formed by combining savings of the people working there. They make loans to their members at a low ...... Anyone having problems with trusts or estates can seek advice at a .... They deal with ..... matters. People interested in the purchase of stocks or shares usually go to a ..... which specializes in handling ......

X

Demonstrate the meaning of the following expressions in sentences of your own:

1. to handle transactions
2. to be a party to a transaction
3. to manage the estate
4. to make loans for the purchase of
5. to borrow money from
6. to get a loan from
7. to charge a higher/lower rate of interest
8. to discuss some fiduciary matters
9. to provide the government with
10. to cover the gap between
11. to maintain an orderly market
12. to be the subject to scrutiny by

Unit Seven
Other Services for Cheque Account Customers

Active Vocabulary

allowance — 1) налоговая скидка
2) денежное пособие
assign (v) — 1) ассигновать
2) предназначать, распределять
beneficiary — 1) бенефициар
2) получатель денег (по аккредитиву, страховому полису, ренты и т. д.)
benefit — право, которое дает владельцу акция
bid (v) (bade, bidden) — 1) принимать участие в торгах
2) предлагать цену
claim — претензия, требование
collect (v) — инкассировать, получать деньги
common stocks — обыкновенные акции
commission — комиссионный сбор
corporate bond (US) — корпорационная облигация
coupon — купон, отрезная часть ценной бумаги
counsel (v) (US) — обсуждать, совещаться
creditor — кредитор
cover — 1) покрытие
2) уплата, обеспечение
3) страхование
demand — требование, спрос
empower (v) — уполномачивать, доверять
executor — душеприказчик
flier — амер. 1) рекламный листок
2) игра на бирже

income	— доход
industrial bond	— промышленная облигация
inheritance	— наследство
insure (v)	— страховать(ся)
inventory	— опись, инвентаризация
liability	— 1) обязательство 2) задолженность, пассив
market	— рынок
mature (v)	—подходить сроку платежа
policy	— политика
preferred stocks	— привилигированные акции
premium	— премия, надбавка
probate (v)	— утверждать
proceeds	— поступления
redemption	— погашение кредита
registered bond	— именная облигация
safe-deposit box (US)	— сейф в банке
seat	— "место", членство на фондовой бирже
stock broker	— маклер
strong room	— хранилище, сейфовая комната

Dialogue

Read the dialogue in parts:

Part I. Brokerage Services

Mr Watson: I have some corporate bonds that'll mature next month. Can you help me to present them for redemption?

Banker: Surely. Where are they payable?

Mr W.: At one of the banks in New York.

B.: Are they the registered or the coupon type?

Mr W.: They're registered in the names of both me and my wife.

B.: You'll both have to assign them.

Mr W.: Yes, I know. And when the proceeds have come in, could you help me reinvest the funds in some preferred stocks?

B.: Oh, yes. Our brokerage house can bid on some shares for you.

Mr W.: They charge the usual broker's commission, I suppose?

B.: Yes, they charge the same as any reliable house. They have a seat on both the New York and the American Exchanges.

Mr W.: I've also thought of taking a flier on some common stocks, if you could find a good growth industry.

B.: Well, the market looks favorable right now.

Part II. Trust Services

Banker: Mrs West, I was sorry to hear of your husband's death.

Mrs West: Thank you. I'm pleased that the bank was named executor of the estate.

B.: We'll help you in every way we can. We've looked through the contents of the safe-deposit box and made an inventory. Everything seems to be in good order.

Mrs W.: I know so little about my husband's affairs.

B.: Our counseling service is for people in just your position.

Mrs W.: I'm most concerned about my immediate expenses.

B.: Well, we're empowered under the terms of the will to provide you with an allowance until the estate has been probated.

Mrs W.: Oh, that's fine.

B.: And there are three life insurance policies. You are the beneficiary in each of them.

Mrs W.: Yes, I knew about those.

B.: The benefits from these policies will be paid directly to you within the next two weeks.

Mrs W.: Oh, I don't have to worry, then.

B.: No. The income from your inheritance is going to be quite sizable. Of course, we don't know yet what demands will be made against the estate.

Mrs **W.:** As far as I know, there are no large creditors.

B.: We hope not. You understand, also, that this bank is named trustee under the will. This means that we will take care of the portfolio of securities and give an annual report of all transactions.

Mrs **W.:** Yes, I understand that. I feel much better about the future now.

Questions on the dialogue:

Part I:

1. What sort of securities did Mr Watson invest his funds in?
2. What does he want the banker to help him in?
3. Why will he have to assign his bonds to the bank?
4. What does he intend to do with the proceeds?
5. In what way can the bank help him reinvest his funds?

Part II:

1. In what circumstances did Mrs West turn to the bank?
2. What did the banker inform her about?
3. What was Mrs West most concerned about?
4. What was Mrs West provided with by her late husband?
5. When will the banker be able to estimate the income from her inheritance?
6. Who will take care of the portfolio of securities left by the late Mr West?
7. How did Mrs West feel after her visit to the bank? Why?

Text I

Investment in stock and shares can be made through any branch of the bank on behalf of its customers. All quoted Stock Exchange securities can be bought or sold with maximum security and minimum formality through the bank. Being in constant touch with leading stock brokers in London and the country, the bank is in a position to obtain information regarding all classes of stocks and shares in which customers may be interested. Shares may be bought or sold without any charges beyond those payable to a stockbroker and the bank is responsible for the collection of the proceeds of a sale and for the delivery of the certificate on a purchase. An investment report service is also often available for the customer who needs a second opinion on a portfolio being managed personally. In addition, professional advice can be given on investments in foreign stock not quoted on the London Stock Exchange.

Share certificates, documents, jewellery and other valuables can be stored in the strong rooms of the bank. They will be safer with the bank than at the customer's home but it is his responsibility to insure them.

The bank also provides a continuing service for personal income tax payers, checking tax liabilities and generally assuming the main burden of work involved in the preparation of tax returns and claims. Because if the sources of income and allowances are complicated, it is not easy to know for the individual if he is paying the right amount of tax. The bank helps the customer on particular problems resulting from Capital Gains Tax and Capital Transfer Tax. It may be able to point out ways in which the customer can quite legitimately minimise the effect of these taxes.

Insurance need not be a problem for the bank's customer either. Insurance cover for life, house, accident or anything else may be effected through any Bank Insurance Service which employ highly experienced brokers in this field. They can usually arrange to obtain the best possible terms consistent with absolute safety.

No matter what the customer's age it is a wise and considerate precaution to make a will. When one dies, it will be his executor's responsibility to protect, to account for and to distribute all his «worldly goods» in accordance with his last will and testament. Therefore the choice of an executor should be carefully considered. One of the best answers to this problem is to appoint the bank's trust company sole or joint executor. The appointment of the bank as the will executor ensures that the estate will be dealt with promptly, efficiently and in strict confidence.

Questions on the text:

1. Why is it the best way to buy stocks and shares through a bank?
2. How much does the bank charge for the investment service?
3. What is the best way of keeping valuables safe?
4. In what way may the bank help individual tax payers?
5. What measures can be taken to protect your life and possessions?
6. What are the advantages of writing a will?
7. Why do many people appoint the bank as the executor of their will?

Vocabulary Exercises

I

Find proper definitions:

Terms	Definitions
1. Flier	a) a unit of ownership in a company
2. Corporate bond	b) a document which states how a person wishes his estate to be divided, made public only after his death
3. Preferred stock	c) a list of items of property
4. Registered bond	d) an amount of money regularly given to a person for current expenses
5. Common stock	e) the party to whom property or a sum of money is given under the terms of a will or trust
6. Share	f) a sum of money payable in case of loss of life
7. Life insurance	g) a bond issued by a corporation or group of people who have a charter to act as an individual
8. Will	h) a bond having the owner's name placed on it
9. Beneficiary	i) ordinary stock, with no fixed dividend rate
10. Inventory	j) stock on which dividends are paid before those on common stock and which gives the holder some rights to any assets that are distributed
11. Allowance	k) a speculative transaction

II

Using the words in brackets as a guide, explain the meaning of the following terms:

1. mature (due for payment, become)
2. proceeds (some transaction, the money, received from)
3. broker (stocks, bonds, for others, buys, sells)
4. broker's commission (in a sale, for services, a charge, the amount of the transaction, based on)
5. assign (ownership, transfer)
6. good growth industry (development, giving promise of, will increase, an investment, the value of, so that)
7. estate (left by a dead person, holdings, obligations)
8. safe-deposit box (kept in a bank, important papers, valuables)
9. income (to an individual, the total sum of, coming in, earnings)
10. inheritance (an estate, money or property, received from)
11. creditor (is owed, a debt, a party to whom)

III

Choose the right answer:

1. «present bonds for redemption» means:
   a) collect at maturity the money invested in a bond,
   b) estimate the value of bonds presented.

2. «the coupon type of bonds» is:
a) a premium bond a price of which may be obtained on collecting a certain number of coupons,
b) a bond with a removable printed statement of the interest due at a particular time.
3. «bid on some shares for you» means:
a) make an offer to buy at a certain price from you,
b) make an offer to buy at a certain price on behalf of you.
4. «they have a seat on the New York Exchange» indicates:
a) they have the right to take part as a member,
b) they have an office at the New York Exchange.
5. «the market looks favourable» indicates:
a) downward movement of prices on the market,
b) upward movement of prices on the market.
6. «the bank was named executor of the estate» means:
a) the bank was appointed to carry out the requests in a will,
b) the bank was appointed to divide the estate.
7. «we're empowered» means:
a) we're not allowed to,
b) we're given authority to.
8. «under the terms of the will» means:
a) within the specified period of time stated in a will.
b) following the conditions stated in a will.
9. «the estate has been probated» means:
a) the estate has been proved genuine and placed on the records of the proper court,
b) the estate has been thouroughly examined and all the demands against it have been settled.
10. «the benefits from these policies» means:
a) payments arising from an insurance contract,
b) obligations arising from an insurance contract.
11. «demands made against the estate» denote:
a) requests for payments made by the creditors of the dead man,
b) payments made by the debtors of the dead man.

IV

Say what is true and what is false. Correct the false sentences:

1. Registered bonds are non-negotiable.
2. The bank is not allowed to pass any information on the Stock Exchange securities.
3. The market value of common stocks is stable.
4. The bank is not responsible for the collection of the proceeds of selling shares.
5. Bonds at maturity can be presented for redemption only through your bank.
6. Only a bank may be named executor of an estate.
7. Businessmen usually keep their securities in safe-deposit boxes.
8. You can take out only one life insurance policy.
9. The will must be probated by the proper court.
10. Life insurance is a good investment.

VIII

Fill in the blanks:

This week Mr Watson is going to see the broker in his local bank. He has previously invested some money in some bonds which mature this month. So he will ask the broker to present them for ...... He wants to reinvest the money he will receive from this. He wants to invest the ..... in stocks. He intends to buy some ...... He will ask the broker to make an offer for him. The broker will ..... on them. He will make a charge for doing so. He will charge a ...... Mr Watson will also ask the broker's advice which shares to buy. He prefers this kind of stock which pays dividends before those of ordinary type and at the same time give the rights to any assets that may be distributed. He wants ...... He is not interested in any speculative transactions. He is not interested in taking a ......

Mr West died last week and left a document stating how he wished his estate to be divided. He left a ...... It named our bank as the party who would carry out these requests. We were named the ...... First, we opened the locked box where he kept his important papers. We

opened the ...... We made the list of the items of property he held. We made an ...... We didn't know at that time whether there were any parties to whom he owed debts. We didn't know whether there were any ...... We didn't know what requests for payment might be made. We didn't know what ..... might be made. Mrs West was named the person who would receive the money and property in the estate. She was the ...... She received quite a lot of money and property. Her ..... was sizable. However, she would not receive it until the will had been proved genuine and placed on the records of the court. She had to wait until the estate was ...... In the meantime we were empowered to give her an amount of money regularly for current expenses. We gave her an ......

IX

Demonstrate the meaning of the following expressions in sentences of your own:

1. to take the flier on the stock
2. the market value of the shares
3. bonds mature
4. to reinvest in some preferred stocks
5. proceeds of the sale
6. to present your demand to the executor
7. to take out life insurance policy
8. to probate the will
9. under the terms of the will
10. the trustee of the estate

Text II

Read the whole passage and find the answers to the following questions:

1. What must an executor apply for before handling an estate?
2. What are the first duties of an executor even before probation?

3. Why are the knowledge and experience of an executor essential in fiduciary services?
4. Which outstanding bills and claims does an executor have to settle?
5. When can an executor start the distribution of an estate?
6. What different features of character should an executor possess?
7. What is the main duty of an executor?
8. Who is an executor responsible to?

Tasks Facing an Executor

An executor cannot safely commence the distribution of an estate until he has successfully applied to the Court for a *Grant of Probate*, i.e. until the will has been proved. Usually this is a less complex and protracted process than that facing the administrator of an intestacy when applying for his Grant of Letters of Administration, but problems can arise – and do arise – sometimes involving lengthy and complicated litigation.

There are, however, a number of important responsibilities you must be able to rely upon your executor to fulfill even before applying for his Grant of Probate. For example, it will be up to him to ensure that appropriate funeral arrangements are made, bearing in mind any special wishes you may have expressed in this regard. Right from the start, he must see that all the various assets are kept safe and properly insured. If there is a business to look after it is your executor who must keep it alive. If there is freehold or leasehold property, it is his responsibility to maintain it for as long as it is in his care.

Before he is ready to apply for his Grant of Probate your executor must prepare a detailed written valuation of all the various assets comprising your estate. How many of these will require the professional services of specialist valuers will depend on the knowledge and experience of the executor you have chosen. Due account having been taken of all applicable exemptions and reliefs, your estate's liability to Capital Transfer Tax will be assessed on the basis of your executor's valuation and, if his application for Grant of Probate is to succeed, his figures must be sufficiently accurate to satisfy the Inland Revenue.

Another of your executor's first tasks will be to plan how he will raise sufficient cash to cover the estate's tax liabilities and to settle those outstanding bills and claims that he deems to be properly due, rejecting those he does not. In the latter case he must be prepared to defend his actions in court, if called upon to do so. In general, however, settling the debts is a simple matter compared with his responsibility to quantify and discharge the estate's tax liabilities.

Income Tax, Capital Gains Tax, Capital Transfer Tax — an executor must be able to cope with all of these. Once the tax liabilities have been discharged your executor will be in a position to distribute your estate which he must do in strict accordance with the terms of your will. Now, as at all times when coming into contract with your beneficiaries, there are a number of important personal qualities which — if you have chosen wisely — your executor can be relied upon to display. Sympathy and tact towards the bereaved, firmness and impartiality in the face of conflicting family pressures — technical skills alone will seldom enable an executor to perform his duties in the manner you would wish.

For the whole time that the estate is in his care your executor must, of course, make every reasonable endeavour to safeguard and maximise the assets — maintaining accurate records of all transactions — and his last duty will be to render a full account of his stewardship to the beneficiaries.

Adapted from Barclay Trust booklet, *Choosing Your Executor*.

Unit Eight
Interbank Relations

Active Vocabulary

at par	— по номинальной стоимости
clearinghouse	— клиринговая палата
clear (v)	— 1) осуществлять клиринг векселей и чеков 2) выплачивать по чеку
collection	— инкассация
collection charge	— расходы по инкассированию
commercial paper (US)	— коммерческие бумаги
correspondent bank	— банк-корреспондент
debenture	— долговое обязательство, необеспеченный долгосрочный долг, облигация акционерной компании
discount house	— учетный дом
drawee bank	— банк-трассант; банк, на который выписан чек
endorse (indorse) (v)	— индоснровать
endorse with recourse (v)	— индонсировать с правом оборота
face value	— номинал
foreign exchange	— валюта
honour a cheque (v)	— акцептовать чек, оплачивать чек
incorporated	— акционерный
industrial bank	— промышленный банк
instalment	— взнос в уплату в рассрочку
knock-down price	— сбитая (минимальная) цена
liable	— обязанный, ответственный, подлежащий

listed stocks — акция, зарегистрированная на бирже
money at call and short notice — деньги до востребования или при краткосрочном уведомлении
payee — получатель платежа
quotation — котировка
recall (v) — отзывать, аннулировать
redeem (v) — выкупать, погашать, изымать
discount, rediscount (v) (US) — учитывать
refinance (v) — рефинансировать
remit (v) — ремитировать, переводить, пересылать

Dialogue

Read the dialogue:

Interbank Relations in the USA

Student: How many correspondent bank accounts do you have?
Banker: We have reserves in six banks. Two of the accounts are inactive.
S.: Do you use any clearinghouse other than the Federal Reserve Bank?
B.: Yes, we also get a daily letter from our central bank in St. Lawrence.
S.: Are you allowed to make a collection charge on your items from your central bank?
B.: No. We've agreed to clear them at par.
S.: Will your correspondent banks purchase any instalment loans that you're not licensed to handle?
B.: Yes, any that our customers are willing to endorse to them.
S.: Do they advise you on your investments, like commercial papers and short-term debentures?

B.: Oh, yes. And each week our New York correspondent sends us their report on financial and economic trends, including quotations on listed and unlisted stocks.
S.: And they handle your foreign exchange?
B.: That's right.
S.: Suppose I'm remitting by check on your bank an amount due on my note to a bank in California. Will that bank send the check directly to you for collection?
B.: It could do that. But it'll probably send the check through the regular channels.
S.: What does that mean?
B.: Well, the bank to which your check is payable will send it to the Federal Reserve Bank in its Reserve District. The transit department of that bank will send it to the Federal Reserve Bank in our Reserve District. From there it's sent to us.
S.: How many Reserve Districts are there?
B.: There are twelve, with one Reserve Bank in each District. Also, most of our larger banking institutions like ours are members of the System, and all checks and other items of exchange flowing through the System are cleared at par.
S.: Par means face value?
B.: Yes. And every bank that handles an item endorses it with recourse.
S.: Does that mean that if a check isn't honoured by the drawee bank, it's finally returned to the payee, who is held liable for the amount?
B.: That's right.
S.: To become member of the System, was your bank required to subscribe to any stock in the Reserve Bank in your District?
B.: Yes. And, to explain further, all national banks must be members of the System. Incorporated State Banks, including commercial banks, mutual savings banks, trust companies and industrial banks, may join the System.

S.: Other than handling items of exchange, what services do Federal Reserve Banks offer member banks?

B.: As fiscal agents of the United States Treasury, they assist in the issue and redemption of government bonds and the refinancing of bonds that have reached maturity. They'll also accept from us any paper that can be rediscounted, if our cash reserve becomes low.

Questions on the dialogue:

1. What services do correspondent banks render each other?
2. What are the functions of central banks?
3. If you remit by the check drawn on one bank an amount due on your note to another bank, what route does your check usually take?
4. What does the United States Federal Reserve System consist of?
5. What is the collection charge on checks and other items flowing through the Federal Reserve Banks?
6. What does «endorsed with recourse» mean?
7. What does a bank have to do to become a member of the System?
8. Which banks must be members of the System and which banks may be?
9. What services do Federal Reserve Banks offer to member banks?

Text

The Discount Houses and the Money Market

Dotted about the City, but mostly close to the Bank of England are the eleven discount houses. These relatively small City businesses make their living by borrowing money from those who have it to spare and investing it in various easily liquidated paper assets. In particular, they finance the Government by buying its Treasury bills each week. To the Bank of England this «covering» of the weekly Treasury bill issue by the discount houses is a useful service. The *quid pro quo* of this arrangement is that the Bank of England will act as «lender of the last resort» to the houses, if it so chooses, or buy paper assets from the houses to provide them with cash when they can't obtain it elsewhere.

To understand the role of lender of last resort it is necessary first to have grasped the extremely delicate nature of the discount houses' business. Practically all the money which they invest has itself been lent to them. What is more, most of it will have been lent to them for very short periods of time like a week or even overnight, or else it will be subject to recall at very short notice. Using this sort of money, the houses purchase bills and even bonds in the open market, some of which might not be repurchased or redeemed from them for months or years. This practice is known as «borrowing short and lending long» and can be hazardous. Should those who have lent to the houses recall their money, the houses would have some difficulty getting it back in a hurry. On any given day, each house will find some of its assets falling due for repayment and will also receive new loans, but it quite often happens that the proceeds of these transactions are insufficient to provide for all the calls that are made that day by those who have lent to the house. It is then that the Bank may help in one of a variety of ways. In particular, it may offer to buy back some Treasury bills to provide the necessary money, or it may lend the required sum charging at least the minimum lending rate. This rate is defined as the lowest rate at which the Bank of England will lend and is fixed each week a little above the Treasury bill rate for that week.

The chief sources for cash for the discount houses — often known collectively as the discount market — are the banks, particularly the commercial banks. These are the ordinary High Street banks with which we are all familiar. Their business requires them to hold a certain proportion of the money which the general public has deposited with them in a liquid form, that is in the form of cash or some assets which can be turned into cash quickly and without losing its value. For example, a building or something like that is not a liquid asset because it takes time to sell, a quick sale can only be achieved if the owner is prepared

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to see it go at a knock-down price. Loans to the discount market are ideal from the point of view of the commercial or any other type of bank. They can be at an agreed rate for an agreed period, although it can be for as short as they like, in which case the houses call them «fixtures», or they can be simply «at call», again at an agreed rate, and then they can be withdrawn whenever the lender needs them. An important part of the job of the money manager in a discount house is to make sure that he has the right balance between fixtures and call money. If there is a general trend in the market for rates of interest to rise so that borrowers have to pay more this week than last and will have to pay more next week than this, it is in the interests of the house to persuade institutions to lend to it for fixed periods. Otherwise call money will be quickly withdrawn and offered back to them again at a higher rate! Similarly, when the rate in the market is rising, the houses themselves take care not to make too many long-term loans, the rate of interest on which will soon fall below the general market rate. The houses that can judge best which way things will go make the greatest profit.

Questions on the text:

1. In what way do the discount houses earn money?
2. On what terms is the money lent to the discount houses?
3. How do the discount houses invest the money lent to them?
4. Why can the practice known as «borrowing short and lending long» be hazardous?
5. In what circumstances does the Bank of England act as «lender of last resort»?
6. Why do commercial banks lend money willingly to the discount houses?
7. What are «fixtures» and «call money»?
8. What must the money manager in a discount house do to make the greatest profit?

Vocabulary Exercises

I

Five types of banks are mentioned in the dialogue. *Find* them and match them with the definitions given below.

1. A bank which regulates the supply of currency within an area, alsoserving as a clearing house.
2. A bank with which another bank has regular dealings.
3. A bank on which an item of exchange is drawn.
4. A bank which makes loans for the purchase or manufacture of industrial products, using a repayment plan of certificate purchased by instalment which permits higher legal rates of interest than on other loans.
5. A savings bank which is owned by the depositiors.

II

Using the words in brackets as a guide, explain the meaning of the following terms:

1. clearing house (checks drawn on one another, exchange, banks, an office, where)
2. collection (an item of exchange, obtaining payment of, the process of)
3. instalment (an obligation, several payments on, one of)
4. endorse (to transfer ownership, the back of the document, to place one's signature on)
5. debentures (issued by a corporation, an obligation, but is, which pays interests, often unsecured)
6. to honour a cheque (payment, make, on)
7. subscribe (financing, agree, a business operation, to take a share in)
8. rediscount (less than, at a price, sell, its maturity value, a note or other investment)
9. transit department (to do with, other banks, having, drawn, on, the collection of checks)

10. discount house (institution, the City of London, promissory notes, buys, resells)

III

Choose the best answer:

1. «to clear items of exchange at par» means:
   a) to exchange checks between banks at their face value,
   b) to make profit out of exchanging check between banks.
2. «commercial papers» in the U.S.A. are:
   a) business letters,
   b) short-term obligations of industrial companies.
3. «a quotation on listed stocks» is:
   a) making a bid for stocks accepted for sale on a stock exchange,
   b) a statement of the current price of stocks accepted for sale on a stock exchange.
4. «to endorse a check with recourse» means:
   a) to be legally responsible for making payment of the amount due,
   b) to endorse in such a way that the party which endorses it must make payment if the other party to the transaction refuses payment.
5. «to be held liable for the amount» means:
   a) to be the party to whom a payment is made,
   b) to be required to make payment.
6. «to be subject to recall at very short notice» means:
   a) the money is lent on the condition that it will be returned any time,
   b) the money is lent on the condition that the lender will call up the borrower first.
7. «borrowing short and lending long» means:
   a) small amounts of money are borrowed and large amounts of money are lent,
   b) money is borrowed for short periods and lent for longer ones.

IV

Say what is true and what is false. Correct the false sentences:

1. Correspondent banks make a collection charge on any item of exchange from their central banks.
2. Central banks seldom advise correspondent banks on their investments, like commercial papers and short-term debentures.
3. Every bank which handles an item of exchange endorses it with recourse.
4. Federal taxes are paid into the United States Treasury.
5. Commercial banks and industrial banks must be members of the Federal Reserve System.
6. All the money which the discount houses invest has been lent to them.
7. The proceeds of daily transactions carried out by a discount house are sufficient to repay the calls made any day.
8. Minimum lending rate is the same as the Treasury bill rate.
9. Your car is your liquid asset.
10. If rates of interest are on the increase, banks are willing to lend money for fixed periods.

V

Word groups. *For each of the verbs listed below, find two nouns which are related to them:*

assist	invest
collect	manage
draw	pay
endorse	subscribe

VI

Using prefixes **un-, in-, dis-,** *etc., give negative adjectives which are related to the following:*

active	important
cleared	licensed
direct	listed

endorsed	regular
honoured	sufficient

VII

Combine the words listed below into meaningful two or three word expressions:

asset	debentures	minimum
account	discount	national
bank	district	paper
bill	federal	rate
correspondent	face	reserve
central	house	short-term
collection	instalment	state
charge	issue	transit
company	lending	Treasury
commercial	letter	trust
daily	loan	value
department	market	

VIII

Fill in the blanks:

The central banking system of the United States *is called* ...... It differs from that of most other countries' ..... in that it consists *not of* one bank but of twelve ..... and some twenty four branches under the control of the Federal Reserve Board in Washington. The Federal Reserve Banks perform a lot of services for ...... Checks flowing through the System are cleared at ...... These checks are endorsed in such a way that the parties who endorse them must make payment if the other ..... to the transaction refuse ...... The checks are .... The Federal Reserve Banks assist their ..... banks in many other ways. For instance when their cash ..... becomes low, the Federal Reserve Banks will accept from them any notes that can be sold below their value at maturity. They will accept any notes that can be ...... They also *help* in the ..... of new bonds to replace ones that have matured.

IX

Demonstrate the meaning of the following expressions in sentences of your own:

1. to clear an item of exchange through a bank
2. to effect the collection
3. to present for collection
4. to endorse a check with/without recourse
5. to clear a check at par
6. to be liable for the amount
7. to rediscount some paper
8. to provide the necessary money
9. to charge the minimum lending rate
10. to make the greatest profits

Unit Nine
Foreign Exchange

Active Vocabulary

aptly	— соответствующим образом, быстро, легко
capital movements	— движение капитала
claim	— требование, претензия
conclude (v)	— заключать
conversion	— конверсия
convertibility	— конвертитуемость
current transactions	— текущие сделки
dealer	— дилер, посредник
dealings	— коммерческие сделки
domicile (v)	— обозначать место платежа по векселю
Eurodollar market	— международный евродолларовый рынок
excess funds	— избыточный капитал
foreign exchange	— иностранная валюта
money movements	— движение денег
non-resident	— нерезидент
partial convertibility	— частичная конвертируемость
place	— размещать, выпускать на рынок
two-tier market	— двухярусный валютный рынок

Foreign Exchange

International trade and more important international money and capital movements are the basis of foreign exchange dealings. Take a simple example: if a Swiss exporter sells a machine to a Japanese buyer, to conclude the transaction the yen which the Japanese businessman has available will have to be changed into Swiss francs, the currency sought by the supplier of the machine. Or if Continental banks want to place excess funds in the Eurodollar market rather than in their own domestic markets, they have to buy dollars against local currency. The observation of the French economist Gaetan Pirou, that foreign exchange deals spring from «the coexistence between the internationalism of trade and the nationalism of currencies», thus aptly describes at least the oldest origin of this metier. Clearly, the day that sees the arrival of a single world currency will also witness the disappearance of foreign exchange business.

All claims to foreign currency and payable abroad, whether consisting of funds held in foreign currency with banks abroad, or bills or cheques, again in foreign currency and payable abroad, are termed **foreign exchange.** All these claims play a part in the relations between a bank and its customers. In the trading of foreign exchange between banks, which is the job of the foreign exchange dealer, only foreign currency held with banks abroad is concerned.

Foreign bank notes are not foreign exchange in the narrower sense. They can be converted into foreign exchange, however, provided they can be placed without restriction to the credit of an ordinary commercial account abroad. The exchange regulations of some countries do not allow this conversion of bank notes into foreign exchange, although the operation in reverse is nearly always permitted.

A currency, whether in foreign exchange or bank notes, is usually called **convertible** if the person holding it can convert it, in other words change it freely into any other currency. A distinction needs to be made, however, between unrestricted convertibility and the various forms of partial convertibility. The Swiss franc, for example, is fully convertible whether the holder is resident in Switzerland or abroad and regardless of whether it is a matter of current payments or financial transactions.

Many countries, on the other hand, recognize only external or non-resident convertibility. This is for instance still the case with the United

Kingdom: If a German exporter, for example, has sterling funds in a British bank, he can simply instruct the bank to convert his pounds into any other currency and remit the proceeds abroad; *but a person* domiciled in Britain cannot as a general rule export capital except with the consent of the Bank of England.

Exchange regulations may also draw a distinction, as far as convertibility is concerned, between funds arising from current transactions (goods and services) and those coming from purely financial operations, only the latter in general being subject in some degree to a restriction on convertibility. In a few countries this distinction between commercial and financial transactions culminated in the establishment of two-tier markets, this is the case in Belgium, and it applied temporarily to France and Italy in recent years.

Exercises to the text

I

Find the proper answer:

1. «foreign exchange dealings»:
   a) financial operations connected with settling payments in foreign trade as well as international money and capital movements,
   b) concluding agreements with foreign firms,
   c) converting one currency into another.
2. «the yen which the Japanese businessman has available»:
   a) wants to exchange,
   b) has in abundance,
   c) has at his disposal.
3. «foreign exchange deals spring from»:
   a) refer to,
   b) are the result of,
   c) imply.
4. «placed to the credit of:
   a) entered on the credit side of an account,

   b) considered to be favourable for,
   c) a credit granted to.
5. «the operation in reverse»:
   a) conversion of foreign exchange into the currency of a given country,
   b) conversion of bank notes into foreign exchange,
   c) remitting bank notes abroad.
6. «a currency is usually called convertible»:
   a) only residents of a country can remit their payments abroad,
   b) it can be changed into any other currency without any restrictions,
   c) non-resident can instruct the bank to convert their earnings into any other currency.
7. «a person domiciled in Britain»:
   a) one being on a business trip,
   b) one living permanently in,
   c) one touring the country.
8. «the proceeds»:
   a) money arising from converting one currency into another,
   b) earnings from the export of goods,
   c) foreign currency held with banks abroad.
9. «except with the consent of the Bank of England»:
   a) provided you apply for a permission to the Bank of England,
   b) only in case the Bank of England grants a permission,
   c) only if one has an account with the Bank of England.
10. «the latter»:
    a) funds arising both from current transactions and financial operations,
    b) funds arising from current transactions,
    c) funds arising from purely financial operations.
11. «being subject ..... to a restriction on convertibility»:
    a) being externally convertible,
    b) being freely convertible,
    c) being under control of exchange regulations.

12. «two-tier markets»:
a) economies which draw distinctions between current transactions and financial operations as regards exchange regulations,
b) two storey department stores,
c) economies permitting free money and capital movements.

II

Say what is true and what is false. Correct the false sentences:
1. To facilitate foreign exchange dealings single world currency should be created.
2. In the trading of foreign exchange between banks only foreign currency held with banks abroad is concerned.
3. Foreign bank notes are foreign exchange.
4. The conversion of foreign exchange into bank notes of the given country is nearly always permitted.
5. The holder of Swiss francs can convert them into other currencies provided he is a resident of Switzerland.
6. A person domiciled in Britain can as a general rule export capital only with the consent of the Bank of England.
7. In Belgium funds arising from current transactions are subject to a restriction on convertibility.

III

Answer the following questions:
1. What is the basis of foreign exchange dealings?
2. What would a Japanese buyer have to do if he wanted to purchase a machine from a Swiss exporter?
3. What would happen to foreign exchange dealings if a single world currency were created?
4. How would you define «foreign currency»?
5. What is the job of a foreign exchange dealer?
6. On what condition do foreign bank notes become foreign exchange?
7. What is a fully convertible currency?

8. What is a partially convertible currency?
9. Give examples of currencies which are fully convertible and partially convertible.

IV

Vocabulary study. *Supply the missing member of the pair in each case:*

Verb	Noun
to move	supplier
to exchange	dealer, dealings
to convert	restriction
to permit	establishment
to instruct	disappearance

V

Collocation. *Find the nouns which are qualified in the text by these adjectives and write one noun to each adjective:*

convertible	international
current	local
domestic	ordinary
external	partial
financial	unrestricted
foreign	

VI

Combine the words listed below into meaningful two or three word expressions as possible. Some are used in the text (capital movement, foreign exchange dealings).

business	foreign
bank	money
capital	movement

currency	market
dealings	notes
dealer	regulation
exchange	two-tier
Eurodollar	world

VII

For each of the following phrases find the expression in the text which it explains and note that expression.

1. International trade and international money and capital movements.
2. Extra money held by a bank.
3. Money used within a country.
4. Money in circulation abroad.
5. Funds, bills, cheques held with banks abroad in foreign currency and payable abroad.
6. A currency that can be changed freely into any other currency.
7. Money coming from the sale of goods and services.

VIII

Complete the following sentences in English:

1. If a bank wants to place excess funds in the Eurodollar market ......
2. Foreign bank notes can become foreign exchange provided ......
3. A currency is called convertible if ......
4. Sterling funds are partially convertible because only ......
5. In Belgium, France and Italy a distinction is drawn between ......

IX

Demonstrate the meaning of each of the following expressions in sentences of your own:

1. to conclude the transactions
2. to place excess funds
3. to buy dollars against local currency

4. to convert into
5. to remit the proceeds abroad
6. to export capital
7. to be subject to a restriction
8. to be fully (partially) convertible

X

In the sentences of this text every sixth word has been left out. Write in the word that fits best:

The Foreign-Exchange market is ..... market which has no central ..... place, but operates through the ..... offices of the banks concerned ..... overseas trade. The main preoccupation ..... the foreign-exchange dealers is ..... secure supplies of foreign currency ..... required to finance international trade...... price of foreign currencies, like ..... prices, is determined by the ..... for that currency and the ..... of it. The demand for ..... currency depends on the demand ..... that country's goods and services ..... foreigners, and the supply of..... currency depends on how many ..... goods and services its home ..... wish to buy. Capital movements ..... also affect the exchange rate ..... making supplies of a currency ..... on long-term loans or ......

Unit Ten

Banks and the Foreign Exchange Market

Active Vocabulary

arbitrage — арбитраж
assets — имущество, средства, активы, капитал, фонды
cross rate — кросс-курс
foreign exchange market — валютный рынок
forward rate — форвардный валютный курс
forward transaction — форвардная (срочная) сделка
incessantly — непрерывно, постоянно
inevitably — неизбежно
intermediary — посредник
market rate — посредник
spot rate — курс "спот", курс по кассовым сделкам
spot transaction — сделка на наличный товар
supply — предложение

Banks and the Foreign Exchange Market

The banks are the natural intermediary between foreign exchange supply and demand. The main task of a bank's foreign exchange department is to enable its commercial or financial customers to convert assets held in one currency into funds of another currency. This conversion can take the form of a spot transaction or a forward operation. Banking activities in the foreign exchange field tend inevitably to establish a uniform price range for a particular currency throughout

the financial centres of the world. If at a given moment the market rate in one centre deviates too far from the average, a balance will soon be restored by «arbitrage», which is the process of taking advantage of price differences in different places. It can be seen that foreign exchange business acts as a very important regulator in a free monetary system.

Only the big banks and a number of local banks specializing in this kind of business have a foreign exchange department with qualified dealers. Banks which merely carry out their customers' instructions and do no business on their own account do not really require the services of a foreign exchange expert. For these it will be sufficient to have someone with a general knowledge of the subject because his role in practice will be that of an intermediary between the customer and a bank professionally in the market.

A foreign exchange dealer acquires his professional skill largely through experience. Here we should point out how important close cooperation is among a team of dealers. The group can work together smoothly only if each member is able to shed his individuality. We must not forget that, almost incessantly, all the dealers are doing business simultaneously on different telephones and when large transactions are completed the rates may change, whereupon the other dealers must be brought up-to-date immediately. It is essential for a dealer to have the knack of doing two things at once so that he can do business on the telephone and at the same time take note of the new prices announced by his colleagues.

Professional foreign exchange dealing requires advanced technical equipment. Business is done by telephone (with many direct lines to important names) and teleprinter depending on distance and convenience. Spot and forward rates of the most important currencies and money market rates are displayed on a big rate board, remote-controlled by the chief dealers. Electronic data processing equipment is employed to keep track instantly of the exchange positions and for the administrative handling of the business done. Cross rates are figured out with the help of electronic table calculators.

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I

Using the words in brackets as a guide, explain the meaning of the following terms and phrases:

1. foreign exchange supply (the total amount of, available, at a given price)
2. foreign exchange demand (the total amount of, required)
3. foreign exchange (foreign bank notes, placed without restrictions, to the credit of, abroad)
4. spot transaction (are traded, goods or securities, for immediate delivery)
5. forward transaction (in the future, at fixed dates, at fixed prices, to supply currencies)
6. market rate (a fixed ratio between)

II

Find the proper answer:

1. «to convert into»:
   a) to supply,
   b) to carry out,
   c) to change into.
2. «to establish a uniform price range»:
   a) to set the limits within which the price varies,
   b) to take advantage of price differences,
   c) to differentiate prices.
3. «to deviate from the market rate»:
   a) to announce new market rates,
   b) to turn away from the market rate,
   c) to differ from the market rate.
4. «to restore a balance»:
   a) to bring back into a former position,
   b) to take advantage of price differences,
   c) to rebuild the economy.
5. «to do business on your own account»:

   a) not to cooperate with a team of dealers,
   b) to settle accounts on your own,
   c) to do business for one's own profit or advantage.
6. «dealers must be brought up-to-date»:
   a) acquainted with the recent methods of marketing,
   b) notified immediately about any changes in market rates,
   c) alarmed by any changes in market rates.
7. «to have a knack of doing two things at a time»:
   a) to be able to do two things simultaneously,
   b) to conduct transaction by telephone or cable,
   c) to get in touch with two people at a time.
8. «to keep track of»:
   a) to use advanced technical equipment,
   b) to keep in touch with,
   c) to figure out cross rates.

III

Say what is true and what is false. Correct the false sentences:

1. One of the main objectives of banking activities in foreign exchange markets is to prevent too high market rate deviations from the average.
2. The conversion of assets held in one currency into funds of another currency takes the form of forward transactions.
3. All banks have foreign exchange departments and employ foreign exchange dealers.
4. If one wants to become a foreign exchange dealer he must be able to do two things at the same time.
5. If the market rate changes, dealers all over the world must be notified at once.
6. Spot rates of the most important currencies are revealed while forward rates are kept secret.

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IV

Answer the following questions:

1. What is the task of a bank's foreign exchange department?
2. What types of transactions are concluded at foreign exchange markets?
3. What are banking activities in foreign exchange dealings aimed at?
4. What steps are taken when the market rate of a currency in one foreign exchange market deviates too far from the average?
5. Which banks employ foreign exchange dealers?
6. What features of character should a foreign exchange dealer possess?
7. What modern technical devices are foreign exchange markets equipped with? How are they used?

V

Show the relationship between pairs of the following sentences by using a pronoun instead of houn phrase which is repeated in the second sentence.

Ex. The banks are the natural intermediary between foreign exchange supply and demand.
The banks enable their commercial or financial customers to convert assets held in one currency into funds of another currency.
The banks are the natural intermediary between foreign exchange supply and demand. They enable their commercial or financial customers to convert assets held in one currency into funds of another.

1. Banking activities in the foreign exchange field tend to éstablish a uniform price range for a particular centres of the world.
   A uniform price range for any currency is achieved by means of arbitrage.
2. Only the big banks have a foreign exchange department with qualified dealers.
   Local banks do not usually employ qualified foreign exchange dealers.

3. A foreign exchange dealer acquires his professional skill largely through experience.
   A foreign exchange dealer works in close cooperation with other dealers.
4. When large transactions are completed the rates may change.

VI

Find the nouns which are qualified in the text by the phrase foreign exchange. Write them down.

VII

Combine the words listed below into meaningful two or three word expressions as possible. Some are used in the text (e.g.: forward market operation):

forward	operation	spot
market	price	system
monetary	range	transaction
money	rate	

VIII

Complete the following sentences:

1. Banks specializing in foreign exchange dealings act as an intermediary in the conversion of ......
2. A balance in market rates at foreign exchange markets may be restored by ......
3. Only the banks dealing in foreign exchange employ ......
4. Transactions in which the amount due is paid on the delivery of goods are called ......
5. Transactions in which the sum due is to be remitted in the agreed period of time are called ......
6. Electronic data processing equipment facilitates ......
7. Foreign exchange supply and demand dictate ......
8. Arbitrage in foreign exchange dealings takes advantage of ......

Unit Eleven

The Global Money Market

Active Vocabulary

balance of payments	— платежный баланс
conversion value	— конверсионная стоимость
devalue, devaluate	— девальвировать
exchange rate	— обменный курс
explode (v)	— взрывать
fix (v)	— устанавливать, фиксировать
float a currency (v)	— 1) вводить плавающий курс 2) размещать валюту
fluctuation	— колебания курса
outstanding	— 1) выпущенный в обращении 2) не предъявленный к платежу
parity	— паритет, равенство
profit margin	— размер прибыли
rate spread	— процент разницы между ценами
revert to (v)	— возвращаться в прежнее положение

The Global Money Market

Foreign exchange trading in Britain is centered wholly in London. The London foreign exchange market is a telephonic market consisting of 3 groups: authorized banks, 11 foreign exchange brokers and the Bank of England. British operations are to some degree over-seen and controlled by the Bank of England, which limits outstanding positions and calls regular returns. Sterling is thereby protected against undesir-

able speculations. This control has never prevented the involvement in world money operations necessary to strengthen the commercial base, and in fact it has provided protection against the vicious losses reported by some banks overseas during the past few years.

Continuous contact between dealers in banks in many cities around the world is, in essence, the international market. They fix the international conversion value of one currency against another and conflicting opinions are swiftly ironed out by the movement of funds. At any one moment of time, the value of sterling against the American dollar is the same, whether you deal in London, Germany, Tokyo or San Francisco.

The major controlling factors that affect exchange rates are speculation, interest rates and the balance of payments. In the past, speculation against the dollar in favour of other currencies has led to the sale of dollars and the consequent purchase of other currencies. Interest rates dictate the flow of money from one foreign centre to another as money seeks higher yields and the conditions in local money markets plus window dressing operations at the ends of months, quarters and the year, react on money flows. So the impact of a balance of payments surplus or deficit is quite apparent. It follows that the currency of a country with a constant surplus will always be in demand. But other things quite apart from financial factors affect the foreign exchange market. Political events can move the market quite significantly.

At one point exchange rates were controlled and monitored by the central banks under the Bretton Woods Agreement. This affected member countries of the International Monetary Fund, which meant simply that all such countries would have a parity for their currency against the American dollar, itself tied to gold, and their currency would be protected against the dollar to a maximum spread of 3/4 per cent either side of this parity. All commercial companies working on a wider commercial profit margin could rely on the rate movement staying within agreed boundaries.

I

Using the words in brackets as a guide, explain the meaning of the following terms and phrases:

1. speculation (profiting from, buying, selling, fluctuating prices, in the hope of)
2. balance of payments (all economic transactions, a systematic record of, completed, resident)
3. exchange rate (in different countries, the relation, used, between the money, in value)
4. balance of payments surplus (merchandise, services, foreign sales of, the total receipts from, higher than)
5. balance of payments deficit (purchased abroad, merchandise and services, the total payments for, higher than)
6. parity (equality of, between two convertible currencies, at a legally fixed ratio, purchasing power, at par)
7. revaluation (a new value to, to give, currency)
8. devaluation (in a crisis, a currency, the legal value of, to lower)
9. floating currency (not fixed, the rate of exchange)
10. spread (to differ, put and call price, in which, an option)

II

Choose the word or phrase in brackets that would best substitute for the word or phrase in bold print in the following sentences:

1. The Bank of England limits **outstanding** positions at the London Foreign Exchange.
   (unpaid, easily noticed, well-known)
2. This control has never prevented **the involvement** in world money operations.
   (support, participation, spontaneity)
3. They **fix** the international conversion value of one currency against another.
   (put in order, justify, settle)

4. The factors that **affect** exchange rates mostly are speculation, interest rates and the balance of payments.
   (cause a change of, increase, decrease)
5. The Bank of England will **promote a protection** to hold the pound within the agreed rate spread.
   (keep a promise, announce, give support to)
6. British export **proceeds** were **invariably** received in sterling.
   (debts, earnings, credits)
   (usually, rarely, frequently)
7. The devaluation of sterling accentuated the **switch away from** the pound.
   (selling, buying, a move from)
8. After sterling had been devalued, rates of exchange were relatively **stable**.
   (changeable, unchangeable, flexible)
9. During that period the pound **rose** against the dollar.
   (its value increased, stayed at the same level, fell)
10. The EEC is **bent on** removing fluctuations between their own currencies.
    (opposed to, indifferent to, determined to)

III

Say what is true and what is false. Correct the false sentences:

1. British operations at foreign exchange markets are free of any control.
2. The global money market means continuous contact between dealers in banks all over the world.
3. The value of sterling against the American dollar is higher if you deal in London.
4. The balance of payments surplus or deficit has no affect upon exchange rates.

5. Interest rates dictate the flow of money from one foreign centre to another.
6. The currency of a country with a constant deficit is rarely in demand.
7. Political events have little significance for foreign exchange markets.

IV

Vocabulary. Opposites. *Find pairs of opposites in the following lists:*

1. export proceeds	a) deficit
2. fixed rate	b) minimum spread
3. international money market	c) lower limit
4. maximum spread	d) devaluation
5. revaluation	e) floating rate
6. surplus	f) import proceeds
7. supply	g) face value
8. true value	h) local money market
9. upper limit	i) demand

V

Collocation. Find the nouns which are qualified in the text by these adjectives and write one noun to each adjectives

continuous	regular
constant	telephonic
central	true
financial	undesirable
floating	upper
maximum	vicious

VI

Combine the words listed below into meaningful two or three word expressions:

broker	interest	operation
bank	intervention	point
central	international	profit
commercial	local	rate
conversion	London	spread
country	margin	trading
demand	market	value
exchange	member	world
export	money	
foreign	movement	

VII

Using information from the text, write a short summary.

VIII

Demonstrate the meaning of each of the following expressions in sentences of your own:

1. to protect against undesirable speculations
2. to fix the international conversion value
3. the value of a currency against the American dollar
4. to affect exchange rates
5. to be in demand
6. to fix a parity for a currency against the dollar
7. to hold a currency within a rate spread of
8. the devaluation of a currency
9. stable rates of exchange
10. the pound rose against the dollar from ..... up to .....

IX

In the sentences of this test every seventh word has been left out. Write in the word that fits best:

The International Monetary Fund was set ..... by the Bretton Woods Agreement of...... The Fund was established to encourage ..... cooperation in the monetary field and ..... removal of foreign exchange restrictions, to ..... exchange rates and to facilitate a ..... payments system between member countries. Under ..... IMF's articles of agreement, member countries ..... required to observe an exchange rate ..... in which should be confined to ..... per cent of its par value ..... member was required to consult with ..... IMF before devaluing or revaluing its ...... Members in deficit were obliged by ..... terms of the agreement to consult ..... the IMF on the procedures being ..... to improve their balance of payments...... was agreed that it was essential ..... hold discussions to consider the reform ..... the international monetary system over ..... long term.

Unit Twelve

Covering Clients in an Exchange Contract

Active Vocabulary:

be entitled to (v) — иметь право
capital goods — средства производства
commitment — обязательства
contractual — контрактный
cover (v) — покрывать, обеспечивать, страховать
enter into a contract (v) — заключать контракт
entrepreneur — предприниматель
exchange control — валютный контроль
firm — фирма
forward exchange cover — форвардное покрытие валютного риска
liquidate (v) — ликвидировать, погашать
option — опцион
penalty — штраф
playground — площадка
rule (v) — поставлять, устанавливать, управлять
rule out (v) — исключать
ruling — господствующий, правящий
thin market — вялый "узкий" рынок
undervalue (v) — недооценивать
whereby — посредством чего-либо

Covering Clients in an Exchange Contract

The Euro-market now has become an entrepreneurial playground. Weak currencies have been borrowed by speculators, then liquidated through the exchange markets for a strong currency on a scale that has inevitably caused a dramatic downturn in the rates. For instance, ster-

ling sold against an undervalued dollar created a pressure on the London market. The dealers were unable, by exchange control ruling, to hold the resultant shortage of dollars. They were then driven to repurchase them on a thin market. Such an accumulation of pressure through a number of London banks led to a double counting of turnover, which in turn accelerated the rate movement against the pound. So, in a floating exchange system, the quoted rates do not necessarily reflect economic values. This is where the speculator steps in.

The most important defence against speculation is the **Forward Exchange Contract** — a legally binding contract between the bank and its customer. The agreement is that one currency will be exchanged for another at some future date the exchange rate being agreed at the time of the contract. Once a contract is entered into, it does not matter how much the rate of exchange varies between the time of entering the contract and its maturity. The customer has fixed the rate. A forward exchange contract may be for a fixed date or within option to deliver or take delivery within an agreed period. Unlike a stock exchange option, where the facility to deal or not at the price any time during the period exists, the option period of a forward exchange contract concerns only the timing of the delivery for the exchange of currencies, the customer having already dealt at a fixed rate.

Forward exchange contracts are subject to relatively uncomplicated exchange control regulations. The first and most important requirement is that a forward exchange contract can only be entered into when there is a firm commercial contractual commitment expressed and payable (or receivable) in a foreign currency. This requirement therefore rules out any exchange or gold clauses which may be incorporated into a commercial contract whereby sterling is to he paid away at some future date, the amount of sterling to be paid out depending upon the rate of exchange ruling on that day. For example, a customer may be importing from Germany and has agreed that he will pay in sterling, but that the actual; amount of sterling to be paid will be dependent upon the rate ruling for Deutsche-marks against sterling on the date of payment. No forward exchange contract may he entered into for this type of transaction and there is no way in which the banks can protect their customers against fluctuactions in the rate of exchange.

Forward exchange cover must be in the currency of the commercial contract, i.e. if the payment is to be in dollars the customer is not permitted to purchase a stronger currency with a view to converting at a profit into dollars on maturity of the contract.

Let us look at one or two practical examples. A customer is importing machinery from West Germany. He signs a contract that he will receive two machines per month, delivery starting in six month time and finishing in one year's time. He is quite entitled therefore to enter into a forward contrat whereby he buys forward Deutsche-marks for these machines for the various periods he requires, namely from six months up to twelve months. In addition, if he so wished he can go further as he is allowed by Exchange Control Regulations up to six months after the date of importation. All he has to do is to produce to his bank documentary evidence that he is importing these goods. In other words that there is a firm commercial contract; that the amount to be paid out is expressed in Deutsche-marks and the bank will then provide him with the forward cover.

Another customer may be exporting capital goods. He enters into his contract whereby he is going to export goods and will receive x amount of American dollars. The goods will not be exported perhaps for another twelve months, and he is giving credit to his buyer for a further six months. Therefore he may arrange now to sell to his bank dollars delivery eighteen months forward.

It is important to note that whether the customer is buying or selling a foreign currency in the forward market, there must be some documentary evidence that all foreign currency is to be paid or received. There are very heavy penalties for anyone who tries to speculate.

I

Choose the word or phrase in brackets that would best substitute for the word or phrase in bold print in the following sentences.

1. Weak currencies are **liquidated** through the exchange markets for a strong currency by speculators.
(compensated, cleared, honoured)

2. In a floating exchange system the quoted rates do not reflect economic values.
(fixed, varied, unstable)
(are not related to, do not influence, do not refer to)
3. A forward exchange contract may be with an option to deliver within an agreed period.
(condition, choice, requirement)
4. A forward exchange contract can only be entered into when there is a firm commercial contractual commitment expressed and payable in a foreign currency.
(cancelled, endorsed, signed)
(strong, fixed, rigid)
(promise, desire, pressure)
5. The actual amount of sterling to be paid will be dependent upon the rate ruling for Deutsche-marks against sterling on that day.
(present, real, true)
(fixed, obligatory, confirmed)
6. The amount to be paid out is expressed in Deutsche-marks and the bank will provide him with the forward cover.
(sum, debt, rate)
(added, stated, multiplied)
(deal with, acquaint with, supply with)
7. In the forward market there must be some documentary evidence that all foreign currency is to be paid or received.
(letter, signature, proof)
8. There are heavy penalties for anyone who tries to speculate.
(punishment, consequences, condemnation)
(do business, make bets, play the market)

II

Choose the right answer:

1. Sales of weak currencies through the exchange markets on a large scale:
a) help stabilize the economy of the countries concerned,
b) cause a dramatic fall in their rates of exchange.

2. Under the forward exchange contract the exchange rate:
a) is agreed upon at the time of contract,
b) is fixed at its maturity.
3. The option period of a forward exchange contract:
a) creates the facility to deal or not at the price any time during the agreed period,
b) concerns only the time of the delivery for the exchange of currencies.
4. In the forward exchange contract the amount of currency to be paid out:
a) does not depend upon the rate of exchange ruling on the day of signing the contract,
b) depends upon the rate of exchange ruling on the day of signing the contract.
5. As forward exchange cover must be in the currency of the commercial paper, the customer:
a) is not allowed to purchase a stronger currency and convert it at a profit,
b) is not forbidden to purchase a stronger currency and convert it at a profit.
6. To obtain the forward cover from the bank the customer:
a) has to produce to this bank documentary evidence that he is importing these goods,
b) need not prove that he has a firm commercial contract.
7. There are very heavy penalties for anyone:
a) who deals in the forward market,
b) who buys a foreign currency in the forward market without firm contractual commitment.

III

Say what is true and what is false. Correct the false sentences:

1. Accumulated pressure upon a currency at the exchange markets accelerates its devaluation.
2. In a *floating* exchange system the rates of exchange reflect economic values.

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3. It does not matter how much the rate of exchange varies between the time of entering the forward exchange contract and its maturity.
4. A stock exchange option concerns among others the timing of the delivery for the exchange of currencies.
5. The requirement concerning a firm commercial contractual commitment does not exclude the possibility of incorporating an exchange or gold clause into a forward exchange contract.
6. Under the forward exchange contract an exporter may sell to his bank the currency in question delivery within the agreed period of time.

IV

Answer the following questions:

1. What does the sale of weak currencies for a strong currency at the exchange market lead to?
2. What was the standing of the sterling at the exchange markets in the early seventies?
3. What does the speculator at exchange markets take advantage of?
4. How can a businessman protect himself against losses resulting from rate fluctuations?
5. What is the essence of a forward exchange agreement?
6. In what does a stock exchange option differ from the option of a forward exchange contract?
7. What requirements are forward exchange contracts subjects to?
8. What types of transaction may not be entered under the forward exchange cover?
9. What does it mean that forward exchange cover must be in the currency of the commercial paper?
10. What document must an importer present to its bank if he wants to buy a currency forward?
11. What arrangements may an exporter make with his bank when he enters a forward exchange contract?
12. How are dealings in the forward market protected against speculations?

Unit Thirteen
Stock Exchange

Active Vocabulary:

actuary — актуарий, служащий страховой компании, занимающийся расчетом страховых рисков
aggregate — совокупный
average — средний
base year — базовый год
base-weighted index — базовый средний индекс
by word of mouth — устно
capitalization — капитализация дохода, структура капитала
channel (v) — направлять
commodity — предмет потребления, товар, продукт
floor — 1) минимальный уровень цен
2) производственная площадь
index — индекс, показатель
jobber — джоббер, спекулянт на фондовой бирже, профессиональный биржевик
marketability — товарность, реализуемость, пригодность
market value — рыночная стоимость
pension — пенсия
price index — индекс цен
ratio — соотношение, коэффициент, процент, доля
quote (v) — назначать цену, котировать
volume — объем

8*

Stock Exchange

Stock exchange is a market in which securities are bought and sold. There are stock exchanges in most capital cities, as well as in the largest provincial cities in many countries, and over twenty in Britain. The principal stock exchange in Britain is known as the Stock Exchange, and is located in Throgmorton Street in the City of London; the New York Stock Exchange is located in and is known as Wall Street. Continental European exchanges are often referred to as Bourses. The economic importance of stock exchanges is that they facilitate saving and investment, first through making it possible for investors to dispose of securities quickly if they wish to do so and secondly in channelling savings into productive investments. Ready marketability requires that new issues should be made or backed by reputable borrowers or institutions, that information should be available on existing securities, and that should be both a legal framework and market rules to prevent fraud and sharp practice. Stock exchanges have their own rules and conventions, but their functioning depends also on the existence of company and other law and financial intermediaries, such as the issuing houses.

The British Stock Exchange, founded in 1773, developed from informal exchanges in coffee houses in the City of London. It is managed by a council of members. There are some 3,500 members, who alone may deal or even enter the floor of the exchange.

Stock-brokers act as agents for the public and buy from and sell to jobbers. Members are formed into a declining number of companies and there are now only 192 broking firms and ninety-one jobbing firms on the London Exchange. Business is conducted entirely by word of mouth and although jobbers and brokers keep their own registers and may record details of a "bargain" (as all transactions are called) on the official list, they are not obliged to do so. Even today there are no official statistics of the volume of transactions, although prices at the exchange are widely available in the press. The market value of the securities quoted on the exchange is about £120 billion, of which rather more than half are foreign securities.

Index numbers indicating changes in the average prices of shares on the Stock Exchange are called share indices. The indices are constructed by taking a selection of shares and "weighing" the percentage changes in prices together as an indication of aggregate movements in share prices. Roughly speaking, a share index shows percentage changes in the market value of a portfolio compared with its value in the base year of the index. Index numbers are published by several daily papers and weekly journals.

I

Using the words in brackets as a guide, explain the meaning of the following terms:

1. securities (income-yielding papers, traded on, stock, shares)
2. government securities (fixed-interest paper)
3. ordinary shares (rights to assets and dividends, preference shares, paid)
4. actuary (the calculation of risk and premiums, a person trained in, assurance purposes)
5. equities (a fixed rate of interest, stock and shares, do not pay)
6. share (a unit of ownership, a proportion of distributed profits, small denomination)
7. stock (a unit of ownership, a proportion of distributed profits, units of £100 value)
8. yield or return (outlay, percentage the investor gets on)
9. blue chip (highly priced, stock, valued for, security)

II

Choose the word or phrase in brackets that would best substitute for the word or phrase in bold print in the following sentences:

1. The economic **importance** of stock exchanges is that they **facilitate saving and investment.**
(prominence, significance, necessity)
(humper, make dificult, make easy)

2. Stock exchanges facilitate investment through channeling savings into productive investments.
(controlling, directing, handling)
(profitable, industrious, industrial)
3. There should be both a legal framework and market rules to prevent fraud and sharp practice.
(set of laws, body of law, arm of the law)
(danger, swindling, haste)
(trickery, gesticulation, turmoil)
4. Business at stock exchanges is conducted entirely by word of mouth.
(strictly, completely, originally)
(orally, willingly, usually)
5. There are no official statistics of the volume of concluded transactions at the London Stock Exchange.
(printed, public, trustworthy)
(quantity, quality, size)
6. Prices at the exchange are widely available in the press.
(noticeable, obtainable, profitable)
7. The indices are constructed by taking a selection of shares and "weighing" the percentage changes in prices together.
(choice, range, sample)
(comparing, calculating, evaluating)
8. The percentage changes in prices indicate aggregate movement in share prices.
(guide, predict, denote)
(total, complete, expected)
9. The equities included in the series account for 60 per cent of the value of all quoted equities.
(explain, amount to, include)
(exemplified, listed, announced)
10. The 500 share index consists of equities broken down into capital goods, consumer goods etc.
(measures, defines, includes)
(determined as, subdivided, arranged)

11. There was considerable publicity, when the Financial Times Industrial Index passed 500.
(sufficient, average, great)
(coverage, understanding, ignorance)
(left, exceeded, possessed)

III

Choose the right answer:

1. The principal stock exchange in the United States of America is known as:
a) the Stock Exchange,
b) Wall Street.

2. Ready marketability requires that new issues should be made or backed by:
a) reputable borrowers or institutions,
b) law and financial intermediaries such as the issuing houses.

3. *Jobbers:*
a) act as agents for the public,
b) deal only with brokers and not with the general public.

4. Jobbers and brokers:
a) are obliged to keep records of concluded bargains,
b) are not obliged to record concluded transactions.

5. *Share* indices indicate:
a) percentage changes in the market value of shares as compared with their value in the base years of the index,
b) percentage changes in share prices within the last three years.

6. Price indices and averages published in the Financial Times Actuaries Share Indices are based on:
a) fixed-interest stocks,

b) equities and fixed interest stocks.

7. Financial Times Actuaries Share Indices provide for fixed-interest securities:
   a) prices and yields,
   b) price indices, average earning and dividend yields.
8. The financial group of equities is broken down into:
   a) capital goods, consumer goods, industry,
   b) sectors, e.g. banks, discount houses etc.

IV

Complete the following sentences on the basis of the information given in the text:

1. Stock exchanges facilitate ......
2. Through stock exchanges investors can quickly ......
3. The functioning of stock exchange depends on ......
4. The British Stock Exchange is managed by ......
5. Members of the Stock Exchange may ......
6. The volume of transactions concluded at the Stock Exchange is ......
7. The best known stock and share indices are ......

V

Answer the following questions:

1. What is stock exchange?
2. Where is the British Stock Exchange located?
3. Where is the New York Stock Exchange located?
4. What is the economic importance of stock exchange?
5. What are the requirements of ready marketability?
6. What does the functioning of stock exchanges depend on?
7. Give a brief characteristic of the British Stock Exchange.
8. In what way do the duties of brokers differ from these of jobbers?
9. What is the volume of transaction concluded on the British Stock Exchange yearly?
10. What do share indices indicate?
11. How are share indices constructed?

12. Where can you find index numbers?
13. What information do the Financial Times Stock Indices include?

VI

Vocabulary study. Synonyms. *Match the expressions listed in column A with the synonymous ones from column B.*

A	B
1. stock exchange	a) exchange trading
2. member of the exchange	b) stock listed at the exchange
3. exchange days	c) sale contract
4. exchange hours	d) unquoted securities
5. exchange dealings	e) official quotation list
6. stock exchange securities	f) trading days
7. unlisted securities	g) slump in exchange prices
8. contract note	h) dealings in stocks and shares
9. stock exchange list	i) securities exchange
10. smash on the exchange	j) official hours
11. stock exchange operations	k) floor member
12. stock exchange value	l) market intelligence
13. financial news	m) market value

VII

Collocation. *Combine the words listed below into meaningful two or three word expressions as possible:*

actuaries	earning	percentage
average	fund	price
base	index	pension
chain	indices	portfolio
change	link	share
capitalization	manager	stock
commodity	market	yield
dividend	number	year

Unit Fourteen
Commodity Exchange

Active Vocabulary:

auction	— аукцион
cereals	— зерновые
c.i.f., C.I.F. = cost, insurance, freight	— цена CIF
close (v)	— закрывать
commodity exchange	— товарная биржа
firm prices	— твердые цены
grade	— сорт, качество
highest (top) rate (price, quotation)	— наивысшая цена
leeway	— дрейф
lowest (bottom) price (rate, quotation)	— самая низкая цена
marked	— отмеченный
primary commodity	— основной товар, преимущественный товар
rally	— 1) оживление спроса, 2) значительное повышение курса ценной бумаги
right to ownership	— право собственности
setback	— спад, регресс
subsequent	— последующий
upswing	— внезапный подъем, скачок

Commodity Exchange

Commodity exchange is a market in which commodities are bought and sold. It is not necessary for the commodities to be physically exchanged; only rights to ownership need be. London has important commodity markets arising partly from its industrial and colonial history, and partly from the nature of its foreign trade. The commodity exchanges in London cover a wide variety, such as tea, coffee, wool, rubber, non-ferrous metals and furs. The old practice of auctioning commodities from warehouse in which samples could be inspected beforehand has become less important. An efficient system of grading and modern systems of communication have enabled the practice of c.i.f. trading to develop. A buyer can buy a commodity in the country of origin for delivery c.i.f. to a specified port at which he can off-load for direct delivery to his own premises. This method saves warehousing costs and auction charges. However, many auctions still take place in London, e.g. tea, wool and furs. The market not only enables commodities to be sold spot or for delivery at some specified time and place, but it also includes a market in futures. This latter enables merchants to avoid the effect of price fluctuations by buying for forward delivery at an agreed price, which will not be affected by intervening changes in the spot rate.

I

Find pairs of opposites in the list:

1. boom	a) setback
2. trend downward	b) demand
3. rally	c) reached its peak
4. supply	d) slump
5. touched its lowest	e) the least heavily weighed
6. turned firmer	f) upswing
7. fall	g) turned softer
8. the most heavily weighed	h) rise
9. minor metals	i) dull market

10. active market — j) fluctuations in prices
11. steady prices — k) base metals

II

Find the nouns which can be qualified by these adjectives and write one noun to each adjective:

basic	marked
downward	overall
direct	phenomenal
efficient	postwar
forward	primary
minor	staple
modern	subsequent

III

Express each of the following in other words:

1. in spite of short-lived secondary rallies
2. the different behaviour of the two index calculations
3. official price support policies for leading farm products
4. with the basic trend downward
5. after extended setbacks

Unit Fifteen

The Clouds Clear over Poor-Country Debt

Active Vocabulary:

aid	— помощь
bailiwick	— сфера компетенции
bunching of maturities	— информация о сроках погашения ценных бумаг
charge	— плата
entitlement	— право, документ, дающий право
facility(ies)	— льгота, услуга
fund	— резерв, запас, фонд
net borrowing	— чистое заимствование
raise money (v)	— занимать деньги
recycling	— рециклировать
resort to (v)	— прибегать к ч.-л.
quadruple (v)	— увеличиваться в четыре раза
guota	— квота
segregate (v)	— отделять, выделять, изолировать

The Clouds Clear over Poor-Country Debt

There seems a good chance that the managing director of the International Monetary Fund will realize his hopes of raising $15 billion or so from surplus countries to lend to deficit ones.

The Witteveen proposals are:

1. Half the money should come from the Opec surplus countries, and the rest from the industrialized surplus countries and the United States.

2. Commercial interest rates would be paid, perhaps higher than the 7% on the now-ended oil facility.

3. Loans would be for longer than the three-to-five years of normal IMF credits and even longer than the three-to-seven years of the oil facility.

4. Loans would be related to the needs of the borrowing country rather than the size of its entitlements under IMF quotas.

5. Conditions will be attached — in some cases more severe than under the IMF's regulations, in some cases less so, the key phrase being a country-by-country approach.

The reasoning behind the new fund starts with the IMF's own need for cash. Its usable, convertible currencies, now down to about $4 billion, are only enough to meet the expected demand on them in the next six months or so. A boost will come from the round of quota increases now awaiting ratification by the parliaments of member countries, but the failure of IMF resources to keep pace with world trade is one reason developing countries have resorted to commercial bank debt.

The problem of third-world lending as a whole has been dramatized. The aggregate current account deficit of the non-oil developing countries last year was covered by aid, direct investment, short-term credit from the IMF and long-term borrowings from official bodies like the World Bank. All the net borrowing by developing countries from the Euromarkets went into their reserves.

However, a) a sever bunching of maturities is building up over the next four years and b) there are some countries whose economic management is so bad that the Federal Reserve Fund is right to be worried. That is why they would like the IMF to have a more powerful voice in international lending. Any country will be given a limit to its international loans and the American commercial banks, will be prevented from lending unwisely to any country by over-competing among themselves.

The IMF will not be lending only, or even primarily, to developing countries. Most of them, expecially the Asian ones, have adjusted

to the rise in oil prices much better than expected (and much better than, for example, Britain and Italy). But the less advanced industrial countries, like Portugal and Spain, will also need balance-of-payments aid while they get their economies organised.

The IMF is sticking to the view that the new arrangement will not take it across the dividing line that segregates balance-of-payments adjustment finance from development finance. It is just that the adjustment process is going to take longer than was first supposed when the Opec countries quadrupled oil prices. Although Germany, Japan and Switzerland may be persuaded to reduce their surpluses, some of the Middle East oil states cannot do so for several years to come.

It will continue to be safe for commercial banks to continue to lend to middle income-countries, provided these countries can export.

The low-income developing countries are too poor to borrow from the banks and need aid, pure and simple. The new economic team in the American administration grasps the inter-connectedness of recycling, trade protectionism and aid. Its battle will be to spread this message at home, against strongly growing protectionist pressures, as well as abroad.

Adapted from "The Economist".

I

Choose the word or phrase in brackets that would best substitute for the word or phrase in bold print in the following sentences:

1. There seems a good **chance** that the managing director of the IMF will **realize** his hopes of **raising** $15 billion or so.
   (probability, occasion, event)
   (fail, carry out, complete)
   (paying, receiving, accumulating)
2. Conditions will be **attached**, ... the key phrase being a **country-by-country** approach.
   (communicated, imposed, set)
   (individual, collective, unique)

3. The failure of IMF resources **to keep pace with** world **trade is** one reason developing countries have **resorted** to commercial **bank debt**.
(promote, develop, meet the requirements of)
(turned to, applied for, incurred)
4. The problem of third-world lending as a whole has been **over-dramatised**.
(unnoticed, underestimated, exaggerated)
5. A sever **bunching** of maturities is building up over the **next four** years.
(expiring, converging, recycling)
6. The less advanced industrial countries will also need **balance-of-payments aid**.
(funds to pay off credits, funds to cover the balance of payments deficit, funds for new investments)
7. The new arrangement will not take it across the dividing line that **segregates** balance-of-payments adjustment finance from development finance.
(level the difference, abolish the difference, differentiate)
8. The new economies team in the American administration **grasps** the **inter-connectedness** of recycling, trade protectionism and aid.
(expresses, associates, understands)
(interference, correlation, interdependence)

II

Choose the right answer:

1. The International Monetary Fund was established:
   a) to encourage international cooperation in the monetary field and to facilitate a multilateral payments system,
   b) to secure favourable trading terms for the third world countries.
2. Commercial banks are:
   a) government owned banks receiving deposits and making loans,
   b) privately owned banks receiving deposits and making loans.

3. If a sum of money is lent for a specified period of time, the amount which is repaid by the borrower to the lender will be:
   a) greater than the amount which was initially lent,
   b) smaller than the amount which was initially lent.
4. We define the rate of interest to be:
   a) the difference between what is lent and what must be repaid expressed as a proportion of the amount lent,
   b) the sum of what is lent and what must be repaid expressed as a proportion of the amount lent.
5. The balance of payments deficit indicates that:
   a) the country's total payments obligations exceed its total receipts,
   b) the country's total payments obligations are balanced by the total receipts.
6. Trade protectionism policy is adopted by some countries in order to:
   a) discriminate against less developed countries,
   b) reduce the overall level of imports.

III

Say what is true and what is false. Correct the false sentences:

1. There are no prospects for raising $15 billion from surplus countries to lend to deficit ones.
2. Normal IMF credits extend over the period of three to five years.
3. New loans will be related to countries entitlements under IMF quotas.
4. IMF convertible currencies amounted to $4 billion and were not sufficient to meet the expected demand on them in the next half-a-year period.
5. Private bankers are worried if the developing countries will be able to repay their debts at maturity.
6. The less advanced industrial countries have adjusted to the rise in oil prices much better than the Asian ones.
7. The Middle East oil countries will have no difficulties in reducing their surpluses.
8. The low-income developing countries need aid, pure and simple.

9-1745

IV

Complete the following sentences on the basis of the information given in the text:

1. $15 billion to be raised are to come from ......
2. Commercial interest rates would be ......
3. Loans would be related to ......
4. IMF resources have failed to ......
5. The current account deficit of the non-oil developing countries was covered by ......
6. Mr A. Burns from the Federal Reserve and private bankers worry because ......
7. The Asian developing countries have adjusted to ......
8. It will be safer for commercial banks to ......
9. The American administration is fully aware of ......

V

Answer the following questions:

1. What does the managing director of the IMF intend to do?
2. Where should the money to be raised come from?
3. What interest rates would be paid on loans?
4. How long would loans be granted for?
5. What factors would be considered when granting loans?
6. When granting loans, what approach would be adopted?
7. What reasons does the IMF have for raising additional funds?
8. Why does the writer of the article think that the problem of third-world lending has been overdramatized?
9. Why will some developing countries find it difficult to repay their loans at maturity?
10. What do the private bankers and the President of the Federal Reserve insist on and why?
11. Which countries will need IMF aid most?
12. What will the new IMF fund facilitate?
13. Which countries is it safer to lend money to and why?
14. What is financial aid strongly linked with?

VI

Match the expressions listed in column A with the synonymous ones from column B.

A	B
1. to grant aid	a) external debts
2. financial aid	b) settlement of a debt
3. foreign debts	c) sum due
4. overdue debt	d) to incur debts
5. amount of a debt	e) to render assistance
6. paying off a debt	f) debt standing over
7. to be clear of debts	g) protectionist policy
8. to contract debts	h) financial backing
9. protectionism	i) to be out of debts

VII

For each of the following phrases, find the expression in the text which it explains.

1. countries which have excess in receipts over expenditures
2. countries which expenditures exceed receipts
3. a certain sum of money lent on condition that it is returned with or without interest
4. money in the form of coins or paper, ready money
5. paper money able to be exchanged at a fixed price usually into US dollars
6. an accumulation of money, especially one set aside for a certain purpose
7. money owed to a commercial bank
8. help, assistance
9. the system of helping home producers to face foreign competition by putting tariffs on imported goods
10. a series of recurring economic phenomena

9*

VIII

Demonstrate the meaning of each of the following expressions in sentences of your own:

1. to raise $15 billion fund
2. to pay interest rates
3. to meet the expected demand
4. to await ratification
5. to keep pace with world trade
6. to adjust to the rise in oil prices
7. to stick to the view
8. to grasp the inter-connectedness of

IX

Free writing. Evaluate the importance of international financial aid to less developed countries.

Unit Sixteen

Investment Risk: the New Dimension of Policy

Active Vocabulary:

business cycle	— деловой цикл
capital projects	— вложение капитала, финансовые ассигнования
commitment	— обязательство
discount (v)	— дисконтировать, учитывать
discount rate	— учетная ставка
dispersion of profits	— рассредоточение прибылей
elusive	— неуловимый, уклончивый
engender (v)	— порождать, вызывать
failure of confidence	— кризис доверия
growth	— рост
illusive	— обманчивый, иллюзорный
lag (V)	— отставать, запаздывать
low of the cycle	— нижняя фаза цикла
mushroom (v)	— быстро расти, распространяться
output	— выпуск продукции, объем производства
price earnings ratio	— отношение рыночной цены акции компании к ее чистой прибыли
private investment	— частные инвестиции
proxy	— лицо, которому доверено голосовать от имени акционеров
rate of advance	— ставка по кредитам
rate of inflation	— уровень инфляции
rate of return	— норма прибыли
recovery	— подъем экономической активности

replacement cost — стоимость замещения
skewed — уклоняющийся
structural steel — структурированная сталь
uncertainty — неопределенность

Investment Risk: the New Dimension of Policy

After the sharpest upheaval of the post-war period, the world's industrial countries are struggling, so far with mixed success, to get back on the path of balanced, non-inflationary growth. The United States has probably been the most successful. After a strong burst of growth in output and employment, many observers foresee a sharp slowing in the rate of advance. The shortfall in the recovery to date is easy to identify — a lack of private investment; and its cause — a failure of confidence. The uncertainty that plagues the investment commitment process today is embodied in investment calculations in the form of higher risk premiums and prevents a normal package of capital projects from meeting acceptable financial criteria.

The evidence of debilitatingly high-risk premiums is widespread and disturbing. Even in the United States, two years removed from the low of the cycle, plant and equipment investment is falling far short of what has typically prevailed at this stage of the business cycle. The short-falls appear to be concentrated in longlived investments, particularly those for which profit expectations are especially skewed towards the later years of the investment: 8, 10, 15 years in the future. Worst hit are investments where high-risk premiums, acting heavily to discount expected future profit, make the present value of those prospective profits minimal.

Short-lived assets, those with rapid rates of cash return, seem closer to normal levels of commitment at this stage of the business recovery. But long-lived assets, particularly those related to major construction projects which typically do not repay their investment costs for many years are still lagging badly.

The bias against long-lived assets is evidenced by new orders for fabricated structural steel, a measure of the most durable of investment assets. After plummeting sharply from the autumn into the spring, orders for fabricated structural steel have recovered only about one quarter of their decline during the past two years.

The rise in investment risk over the past decade is also clearly reflected in the American stock markets, where price/earning ratios have fallen to the lowest levels in two decades, largely as a consequence of the increased discount rate imposed on expected earnings growth. One would expect that the market value for existing assets (that is stock prices) would parallel the expected market prices, or present value of contemplated new capital projects. Instead, real investment parallels with a lag the ratio of stock prices to an index of the replacement cost of plant and equipment. The latter is a good proxy of the relation between the prospective market value of new investment and the cost of producing that investment. Translated into rate of return equivalents, the larger the ratio, the greater the prospective rate of return implied.

While the causes of this high-degree of investment risk vary from country to country, at root is a profound uncertainty of the shape of the future economic environment in which new facilities might be functioning. Although many reasons could be cited, first, and by far the most important is inflation — the fear of an increasing rate in the years ahead, and the instability that would follow it. An inflationary environment makes calculation of the rate of return on investment more uncertain. Even if overall profits advance in line with the rate of inflation, the dispersion of profits among business tends to increase as the rate of inflation climbs. The risk of loss rises or, at best, the attainment of profits becomes more elusive.

Thus, a much higher rate of discount is applied to inflation generated profits than to those accruing from normal business operations.

A second, although somewhat smaller, contributor to higher risk premiums is escalating business regulation. Since the rise of concern over health and environment the regulatory process has mush-

roomed. Regulatory changes have directly increased the cost of new facilities in a major way. However, far worse for capital investment decision-making is the fact that regulations may, indeed will, change in future, but in a way that is unknowable at present. This, rather than known costs, has engendered uncertainty and hesitation among businessmen.

Adapted from "The Economist".

I

Using the words in brackets, explain the meaning of the following terms:

1. trade cycle (the level of business activity, regular oscillations in, over a period of years)
2. the low of the trade cycle (low level of business activity, slow growth in output and employment, a period of)
3. investment (real capital goods, expenditure on)
4. longlived investment (in 8, 10, 15 year time profits are expected, investment for which)
5. rate of return (net profit after depreciation, average capital invested in a business, as a percentage of)
6. discount rate (to discount bills, percentage at which, the oficially announced, a country's central bank, is prepared)

II

Choose the word or phrase in brackets that would best substitute for the word or phrase in bold print in the following sentences:

1. After the sharpest **upheaval** of the post-war period the world's industrial countries are struggling to get back on the path of balanced, **non-inflationary** growth.
   (disruption, revolution, violent changes)
   (budgetary, deflationary, financial)
2. Many observers foresee a sharp slowing in the rate of **advance**.
   (acceleration, development, achievement)
3. The evidence of **debilitatingly** high-risk premiums is widespread and **disturbing**.
   (discouragingly, proportionally, extremely)
   (well-known, causing concern, important)
4. The **shortfalls** appear to be concentrated in **long-lived** investments.
   (commitments, surpluses, deficits)
   (non-productive, modernization, long-term)
5. Short-lived **assets** seem closer to normal levels of **commitment** at this stage of business **recovery**.
   (cash, liquid, unmarketable)
   (liability, performance, engagement)
   (reaction, revival, cycle)
6. Long-lived assets are still **lagging badly**.
   (are close to normal levels of commitment, haven't reached the expected levels of commitment, have exceeded the expected levels of commitment)
7. One would expect that the market value for **existing assets** would *parallel* the expected market prices.
   (long-term assets, stocks and shares, capital assets)
   (contrast, compare, match)
8. The latter is a good **proxy** of the relation between the prospective market value of new investment and the cost of producing that investment.
   (alternate, synonym, substitution)
9. The larger the ratio, the greater the prospective **rate of return**.
   (secured profit, surplus profit, profitability)
10. Even if overall profits **advance in line with** the rate of inflation, the **dispersion** of profits among business tends to increase as the rate of inflation climbs.
    (lag, diminish, increase proportionally)
    (accumulation, scattering, dimension)
11. Since the rise of **concern** over health and environment, the **regulatory process** has mushroomed.
    (anxiety, care, interest)
    (legislation, formality, lawfulness)

III

Choose the right answer:

1. The United States has probably been the most successful in:
   a) reaching the peak of the business cycle,
   b) recovering from the low point of the business cycle.
2. The shortfall in the recovery to date is due to:
   a) a lack of private investment,
   b) a lack of incentives.
3. In the U.S. plant and equipment investments:
   a) are typical for this stage of the business cycle,
   b) are smaller than could be expected at this stage of the business cycle.
4. High-risk premiums included in investment calculations:
   a) discount prospective profits,
   b) enlarge expected future profits.
5. The bias against long-lived assets is evidenced by:
   a) a sharp increase in orders for fabricated structural steel,
   b) a slow recovery in orders for fabricated structural steel.
6. In the American stock market price/earnings ratios:
   a) have fallen to the lowest in two decades,
   b) have remained stable for the last 20 years.
7. Real investment parallels:
   a) the expected market prices,
   b) the ratio of existing assets to an index of the replacement cost.
8. The larger the relation between the future market value of new investment and the cost of its production:
   a) the greater the prospective rate of return,
   b) the more uncertain the prospective rate of return.
9. A profound uncertainty of the shape of the future economic environment is caused by:
   a) an increasing rate of inflation,
   b) an incalculable rate of return.
10. Inflation makes calculation of investment profitability:
   a) more difficult,
   b) more uncertain.

11. Business regulation will change in the future:
   a) in a way that is unknowable at present,
   b) in a way that is predicted by scientists today.

IV

Say what is true and what is false. Correct the false sentences:

1. The world's industrial countries are struggling with considerable success to return to balanced, non-inflationary growth.
2. Higher-risk premiums included in investment calculations prevent average capital projects from satisfying acceptable financial criteria.
3. High-risk premiums discount heavily expected future profits on present long-lived investments.
4. Long-lived assets return more quickly to normal levels of commitment during the period of business recovery.
5. The rise of price/earnings ratios in American stock markets was a consequence of the increased discount rate imposed on expected earnings growth.
6. The market value of stock prices parallels the present value of contemplated new capital projects.

V

Complete the following sentences:

1. Many observers foresee ....
2. The slow recovery is due to ..... caused in turn by ......
3. The uncertainty of investment commitments is visible in ......
4. High-risk premiums prevent ....
5. The rise in the investment risk is also reflected in ....
6. At present in the American stock markets real investment parallels ....
7. The larger the relation between the future market value of new investment and the cost of its construction, the greater ....
8. The fear of an increasing inflation rate is ....

9. Inflation makes calculation of the rate of return on ....
10. With the rate of inflation growing, the risk of loss ....
11. Business regulations concerning health and environment increase directly ....
12. It is difficult to foresee ....

VI

Answer the following questions:

1. What was the economic situation of industrial countries in the mid seventies?
2. What was the slow rate of recovery due to?
3. What made a normal package of capital projects unacceptable financially?
4. Considering the situation in the United States, which types of investment fall shortest of the expected level at this stage of business recovery? What are the reasons?
5. Which types of assets are closer to normal levels of commitment at that stage of business recovery and why?
6. What is the best measure of the most durable investment assets?
7. How did the American stock markets react to the rise in investment risk?
8. What is the relationship between the prospective value of new investment and the cost of producing it?
9. What are the most important reasons of this high-degree of investment risk?
10. What are the economic consequences of the climbing inflation rate?
11. What has caused the escalation of business regulations?
12. Which is the worst factor for capital investment decision making?

Part Two

Unit One
Methods of Payment

Active Vocabulary:

payment in advance	— авансовый платеж
open account	— открытый счет
Bill of Exchange	— переводной вексель, тратта
Documentary Letter of Credit	— товарный аккредитив; документарный аккредитив
cash with order	— 1) платежное поручение 2) предъявительская тратта
cash on delivery	— оплата наличными в момент поставки, наложенный платеж
remit	— переводить, перечислять деньги
integrity	— целостность
consignment	— 1) консигнация 2) партия груза

TEXT

Read the text carefully concentrating on its contents and terminology:

Compared to selling in the domestic market, selling abroad can create extra problems. Delivery generally takes longer and payment for goods correspondingly can take more time. So exporters need to take extra care in ensuring that prospective customers are reliable payers and that payment is received as quickly as possible.

In the first and in the last analysis, payment for exports depends on the conditions outlined in the commercial contract with a foreign buyer. As explained previously, there are internationally accepted terms designed to avoid confusion about cost and price.

The way exporters choose to be paid depends on a number of factors: the usual contract terms adopted in an overseas buyer's country, what competitors may be offering, how quickly funds are needed, the life of the product, market and exchange regulations, the availability of foreign currency to the buyers, and, of course, whether the cost of any credit can be afforded by the buyer or the exporter.

There are four basic methods of payment providing *varying* degrees of security for the exporter:

1) payment in advance,
2) open account,
3) Bills of Exchange,
4) Documentary Letter of Credit.

1. Payment in advance.

Clearly the best possible method of payment for the exporter is payment in advance. Cash with order (CWO) avoids any risks on small orders with new buyers and may even be asked for *before production* begins. However, this form of payment is extremely rare in exporting since it means that an overseas buyer is extending credit to an exporter – when the opposite procedure is the normal method of trade.

Variations in this *form of* payment are cash on delivery (COD) where *small value goods are* sent by Post Office parcel post and are released only after payment of the invoice plus COD charges.

2. Open account.

An exporter receives the *greatest* security of payment from cash with order or from *cash on delivery*. At the other extreme payment on open account offers the least security to an exporter. The goods and accompanying documents are sent directly to an overseas buyer who has agreed to pay within a certain period after the invoice date – usually not more

then 180 days. The buyer undertakes to remit money to the exporter by an agreed method.

The open account method of payment is increasingly popular within the EEC because it is simple and straightforward. 70 per cent of UK exports are paid for under open account terms. It saves money and procedural difficulties but the risk to the exporter is obviously greater. It is only successful if an exporter trusts the business integrity and ability of an overseas buyer, something that has probably been established through a sustained period of trading.

A variation of open account payment is the consignment account where an exporter supplies an overseas buyer in order that stocks are built in quantities sufficient to cover continual demand. The exporter retains ownership of the goods until they are sold, or for an agreed period of time, after which the buyer remits the agreed price to the exporter.

However, a large proportion of export contracts cannot be settled by payment in advance or by open account, particularly with sales outside the EEC. So parallel with the development of international trade throughout the world, the trading community has developed methods of payments which involve the transfer of documents for exported goods using the international banking system – with the aim of speedily settling export transactions at minimum risk to exporters and to overseas buyers.

I

Comprehension. *Answer the following questions:*

1. Why does selling abroad create extra problems as compared to selling in the domestic market?
2. What helps to avoid misunderstandings in payment for exports?
3. What factors does the choice of a method of payment depend on?
4. Which method of payment provides the best/greatest security for the exporter?
5. Why is payment in advance of order not frequently used in exporting?

6. Which method of payment offers the least security to an exporter?
7. If the open account method offers so little security to an exporter, why is it becoming more and more popular?
8. When does an exporter agree to deliver goods on open account?
9. How does the consignment account operate?
10. Besides payment in advance and by open account, what other methods of payment has the trading community worked out?

II

Comprehension. *Complete the following sentences on the basis of the information* given in the text:

1. The method of payment you adopt for each customer depends on many factors, such as.....
2. The use of Incoterms in commercial contracts helps.....
3. The choice of the method of payment is important as each of them provides.....
4. Cash with order is highly satisfactory from the exporter's point of view, but the least.....
5. Extending credit to an exporter by a foreign buyer is a.....
6. It is quite safe to send small value goods by COD post as the goods are.....
7. If you know your foreign customer well and have no reason to doubt his credibility, you may.....
8. Under the open account agreement, the delivery of goods is not.....
9. If you supply a foreign buyer with stocks of your product for payment after he has sold them, the goods.....
10. You can speedily settle export transactions at minimum risk using.....

III

Test. Fil in the missing words:

The method of obtaining payment of an export order is usually a matter ... negotiation ... the exporter and his buyer and will in many in-

stances be governed ... the exporter's knowledge of the buyer and the buyer's financial standing. In deciding the terms ... payment to negotiate, the exporter may perhaps wish the degree ... security he obtains, the speed ... remittance and any additional costs involved.

In rare cases an exporter is able to persuade his buyer to pay 100 per cent of the ... value before ... take place. It is quite common, however, for the buyer to make an ... payment of a percentage of the contract value upon ... of the contract with the balance being ... by one of the agreed methods.

Where the exporter has complete faith in the buyer he may be willing to trade on an ... account basis. This usually means that the buyer receives the ..., takes ... of the goods and thereafter makes ... to the exporter in accordance with previously agreed ....

Unit Two

Bill of Exchange (B/E)

Active vocabulary:

bill of exchange — переводной вексель, тратта
payment on presentation — платеж по предъявлению
payment on demand — платеж по требованию
bearer — предъявитель, держатель
a bill drawn on ... — вексель, выставленный на ...
settlement — заключение сделки
sight draft — 1) вексель на предъявителя
2) тратта на предъявителя
term draft — срочная тратта
tenor of the bill — срок векселя
due date — срок погашения кредитного обязательства; срок платежа
acceptance — 1) принятие, акцепт, согласие на оплату
2) акцептование векселя
face of the bill — номинал векселя
forward a bill — отправлять, посылать вексель
collecting bank — банк-инкассатор
clean bill — недокументированный вексель
cash againts documents — платеж наличными против документов
promissory note — простой вексель; долговое обязательство

10*

direct collection — 1) прямая инкассация
2) прямой денежный сбор
reshipment — перегрузка, перевалка
recoup delay — задержка окупаемости
default — невыполнение обязательств; неуплата
notary — нотариус
notice of dishonour — 1) уведомление о неакцептовании векселя
2) уведомление о неуплате векселя

TEXT

Read the text below concentrating on its contents and terminology:

An exporter can send a bill of exchange for the value of the invoice of goods for export through the banking system for payment by an overseas buyer on presentation. A bill of exchange is legally defined as "an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to which it is addressed to pay on demand or at a fixed or determinable future time a certain sum of money, to or to the order of a specified person, or to the bearer".

In other words an exporter prepares a bill of exchange which is drawn on an overseas buyer, or even on a third party as designated in the export contract, for the sum agreed at settlement.

The bill is called a sight draft if it is made out payable at sight i.e. "on demand". If it is payable "at a fixed or determinable future time" it is called a term draft, because the buyer is receiving a period of credit, known as the tenor of the bill. The buyer signs an agreement to pay on the due date by writing an acceptance across the face of the bill.

By using a bill of exchange with other shipping documents through the banking system, an exporter can ensure greater control of the goods, because until the bill is paid or accepted by the overseas buyer the goods cannot be released. Conversely the buyer does not have to pay or agree to pay by some agreed date until delivery of the goods from the exporter.

An exporter can pass a bill of exchange to a bank in the UK. The UK bank forwards the bill to its overseas branch or to a correspondent bank in an overseas buyer's country. This bank, known as the collecting bank, presents the bill to whomever it is drawn upon, for immediate payment if it is a sight draft, or for acceptance if it is a term draft. This procedure is known as a clean bill collection because there are no shipping documents required. Clean bill collections have become more popular, particularly in some European countries where the method is also used in internal trade. Also such collections provide more security than open account terms if there is some doubt about a buyer's financial status.

However, it is more likely that bills are used in a documentary collection method of payment. In this case, an exporter sends the bill to the buyer through the banking system with the shipping documents, including the document of title to the goods, i.e. an original bill of lading. The bank then releases the documents on payment or acceptance of the bill by the overseas buyer.

An exporter can even use the banking system for a cash against documents (CAD) collection. In this case only the shipping documents are sent and the exporter instructs the bank to release them only after payment by the overseas buyer. This method is used in some European countries whose buyers often prefer CAD to a sight draft if the exporter insists on a documentary collection for settlement of the export contract.

In all the methods of payment using a bill of exchange, a promissory note can be used as an alternative. This is issued by a buyer who promises to pay an exporter a certain amount of money within a specified time.

It is even possible to send the documents and bill of exchange directly to an overseas buyer's bank, by-passing the UK bank. This system of direct collection is widely supported by US banks, but it dispenses with the help of the UK bank whose aid can be invaluable if something goes wrong in the collection. For example, there could be excessive shipping delays so that a buyer may refuse to accept or pay a draft on presentation. In this situation the UK bank can act as the exporter's agent by arranging the warehousing of the goods or their reshipment, or even disposing of them at auction to recoup any outlay.

An overseas buyer may deliberately default on a term bill or just go bankrupt. In either case the UK bank can arrange legal action or act on instructions to initiate protests i.e. engage a notary public in the buyer's country to deliver a "notice of dishonour" to the defaulter, thus preparing a likely settlement in favour of the exporter if matter have to go to court.

I

Comprehension. *Complete the following on the basis of the information given in the text:*

1. An exporter draws a bill of exchange on a foreign buyer means ..... for ......
2. The bill is called a sight draft if it is payable ......
3. The bill is called a term draft if it is payable ......
4. The tenor of the bill is ......
5. To accept the bill means to ......
6. A term draft does not have to be paid at sight but at ......

7. The goods cannot be released to a foreign buyer until the bill ......
8. The foreign buyer does not have to pay or accept the bill until the goods ......
9. A clean bill collection means that ......
10. A documentary bill collection means that ....., the most important of which is
11. Under a documentary bill collection the bank ..... on ......
12. The foreign buyer cannot get hold of the goods unless he ..... or ......
13. If the exporter insists on immediate payment he ......
14. A promissory note is issued by ..... who in this way guarantees ......
15. A direct collection means that ......
16. The system of direct collection is supported by ....., but it involves a certain risk particularly when there is ......
17. If the buyer refuses to accept or pay a draft on presentation, the exporter's bank ......
18. To protest a draft means to ......

II

Explain the following terms and give your own examples:

Account

Bill

Cash

Collection

Date

Default

Draft

Note

Notice

Payment

Settlement

III

By adding appropriate suffixes (-er, -or, -ee) if possible form a list of terms you already know from business and general economics indicating: a) a person who does a certain activity, b) a person to whom this activity is directed (if such a term exists):

1. Accept	a)	b)
2. Bear	a)	b)
3. Credit	a)	b)
4. Debt	a)	b)
5. Default	a)	b)
6. Draw	a)	b)
7. Employ	a)	b)
8. Pay	a)	b)
9. Trust	a)	b)
10. Work	a)	b)

V

Studying a Bill of Exchange. ***Examine the legal definition of a bill of exchange and the enclosed sample copy and find out:***

a) how you express an unconditional order in written English,

b) who the drawer in this case is,

c) who the drawee is and who the bill drawn on is,

d) who signed the bill on behalf of the drawer,

e) what the drawee should do when he is presented with the bill,

f) how much he should pay,

g) at what time he should pay,

h) who the drawee should pay the above mentioned sum to.

No. 164/8 1 November 1994 For (h) £958.28

At (g) SIGHT (a)(f) Pay this First of Exchange to the Order

of (i) Ourselves

Nine hundred and fifty eight pounds and 28 pence only

Value in merchandise shipped to Australia Invoice no. 16418 which place to Account.

To (c) SITPRO Australia (Pty) Ltd. (e) Botany NSW 2019, Australia

(b) For and on behalf of SITPRO Export Limited

(d) C. Robinson

Witherby Co. Ltd.

The legal definition of a bill of exchange is:

(a) An unconditional order in writing

(b) addressed by one person (the drawer)

(c) to another (the drawee)

(d) signed by the person giving it (the drawer)

(e) requiring the person to whom it is addressed (the drawee, who when he signs becomes the acceptor)

(f) to pay

(g) on demand, or at a fixed or determinable future time

(h) a certain sum of money

(i) to, or to the order of, a specified person or to bearer (the payee)

Test. *Fill in the missing words:*

The bill of exchange is often used as a means of ...... payment particularly for goods exported. The importer might, for example, ask to ...... delivery of goods before paying for them. The exporter, on the other hand, will probably not wish to ...... his control over the goods before obtaining ...... or a legal undertaking from the ...... to pay on a given future date. By use of the international ...... system, a document of title and a bill of ......, the needs of both parties may be satisfied.

The exporter might ...... a bill exchange on the buyer and pass it with the ...... documents and ...... instructions to a bank in the buyer's country, which would ...... the bill of exchange to the buyer for immediate payment in the case of a ...... bill or for acceptance in the case of a ...... bill. Should the buyer refuse, the documents will not be ...... and if the documents include a full set of ...... of lading then the control of the relevant goods remains with the ...... acting as ...... agent for the exporter who thereby also retains ...... of the goods.

Unit Three

Documentary Letter of Credit

Active Vocabulary:

expiry date	— 1) истечение срока действия контракта 2) истечение срока опциона
the terms of the credit	— условия кредита
revocable/irrevocable	— отзывный/безотзывный
cancel	— аннулировать
amend	— вносить изменения, поправки
advise a letter of credit	— авизовать аккедитив
advising bank	— банк, производящий выплаты по аккредитиву
confirming bank	— подтверждающий банк
issuing bank	— эмиссионный банк
compatible with ...	— совместимый, сочетаемый
reimburse	— погашать (кредит, задолженность и т.д.)
debit	— дебетовать, относить на дебет счета

TEXT

Read the text below concentrating on its contents and terminology:

By sending documents through the banking system in a documentary bills collections, both an exporter and an overseas buyer have some degree of security in completing the commercial contract. But a more secure method of carrying out the transaction is by a documentary letter of credit. This documentary letter of credit when transmitted through a bank, usually in the exporter's country, becomes the means by which the exporter obtains payment.

The necessary documents, correctly completed, are presented to a bank by the expiry date of the credit. If the terms of the credit are met an exporter can receive payment from a UK bank. The buyer is in effect providing the exporter with immediate payment in return for a guaranteed assurance from a reputable bank that the export documents required to deliver the goods have been completed to the bank's satisfaction.

Documentary credits may be revocable or irrevocable. A revocable letter of credit is rather rare nowadays because it means that the terms of the credit can be cancelled or amended by an overseas buyer at any time without prior notice to the exporter. Most letters of credit are irrevocable, which means that once a buyer's conditions in the letter have been agreed by an exporter, they constitute a definite undertaking by the buyer's bank and cannot be revoked without the exporter's agreement.

UK banks advise letters of credit i.e. on presentation of documents required in a letter of credit, they send them for collection and payment by the issuing bank of an overseas buyer. The letter of credit in this situation is only as good as the strength of the overseas bank involved. An exporter's advising bank undertakes no responsibility itself to pay the exporter.

Even better security is achieved if the irrevocable letter is confirmed by an advising bank in the UK. Then the UK confirming bank stands fully in place of the issuing bank abroad, and provided all the terms and conditions of credit are fulfilled by an exporter, payment is assured by the banking system without recourse, i.e. without further call on the exporter. So when an exporter has negotiated in the contract with the buyer for a confirmed irrevocable letter of credit then security of payment, as far as humanly possible, is achieved.

But whether or not the credit is confirmed it is essential that the exporter checks the credit terms immediately to make sure they are compatible with the commercial contract made with the buyer. In dealing with documentary credits the bank is concerned only with the documents to be presented and not with the goods or services involved.

Documentary credits may provide for payment at sight or for acceptance of a term bill of exchange by either the issuing bank in a buyer's country or the correspondent bank in the UK.

I

Comprehension. *Answer the following questions:*

1. Which method of payment provides the greatest security for the exporter?
2. Who provides the buyer with the assurance that the goods will be shipped in accordance with the terms of the contract?
3. Why are revocable letters of credit seldom used in foreign trade?
4. On what condition can an irrevocable letter of credit be cancelled?
5. Does an irrevocable letter of credit provide the exporter with assurance that he will be paid on shipment of goods under all circumstances?
6. To achieve better security who should a letter of credit be confirmed by?
7. What is the first duty of an exporter when he is advised about a letter of credit? Why?

II

Comprehension. *Complete the following:*

1. The expiry date is the date by which ......
2. A revocable letter of credit means that ......
3. An irrevocable letter of credit means that provided ......
4. A confirmed irrevocable letter of credit is one confirmed by ......
5. Payment is assured without recourse means that provided ..... the exporter ......